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Sink or SWiM?

Towards a twenty first century community sector

Jenny Harrow

Mariana Bogdanova

SWiM

bassac
supporting people sustaining communities

Sink or SWiM?

Towards a twenty first century community sector

A report commissioned by *bassac* on the growth, achievements and implications of working through clusters in the Voluntary and Community Sector.

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June 2006

SWiM bassac
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Foreword

The community sector faces a time of critical change. With increasing interest from public and private sectors in 'the neighbourhood', there has never before been so much attention on the central role of the community sector in mobilising voice, delivering locally owned services and developing assets for communities.

Paradoxically, this attention has raised many risks. Increased expectations and community sector profile have far exceeded resources available. Indeed, for many local community groups – such as those either within or supported by the *bassac* network – the challenge of simply keeping their doors open on a daily basis, not to mention having the capacity to lead the complex multi-sector partnerships that the evolving role for the sector requires, is as evident now as never before.

The real danger is that the sector's one USP – to develop and represent real community diversity – is eroded.

We need a shake up within central and local government, so that policy is built on the premise that the community sector is central to developing and sustaining healthy communities. Yet harsher economic realities, combined with increasing costs and complexity, require an all together different approach from the sector too.

I am clear that forging genuine partnerships across public, private and community sectors is the way forward. Yet differences in scale, capacity and power often render this impossible for today's community groups.

bassac has long held the view that 'clustering' is the way forward. Through creating critical mass, community groups no longer need to be the poor relation when it comes to role, status or investment. They too can benefit from high quality infrastructure support like HR, ICT along with mobilising a collective voice and advocacy function way beyond their size.

As part of our SWiM programme, I am delighted to promote *Sink or SWiM*. By looking at what's happened, what people have said and critically, what the emerging benefits really are, it takes the concept a step further and provides robust evidence of the need for, and value of, targeted policy and funding to make clustering a real option for those community organisations that want it.

I hope you enjoy reading this report, as I have. I hope you will also engage with *bassac's* on-going work so together we can build a stronger and more sustainable community sector.

Ben Hughes
CEO
bassac

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Executive summary

Using literature studies and case studies of actual cluster activities, this report reviews the growth, development and future support needs of 'clustering' of groups of voluntary and community organisations (VCOs), working collaboratively to strengthen their infrastructures.

Part 1: The cluster as an organising concept

The complexity of the clustering concept is examined here in relation to business academic literatures and public policies in the UK, and the rationales for this form of 'joined up working' are considered.

Publications on collaborative working in the Voluntary and Community Sector (VCS) provide a prescriptive and analytical framework for understanding clustering as an idea, and as process; in particular, emphasising the high demands which are placed on people, existing organisational resources and governance systems.

Comparisons and contrasts are made between the business and voluntary and community sectors in relation to the goals and outcomes of clustering, notably in relation to driving up competitiveness and enabling innovation; and a degree of policy learning across these sectors is suggested, including a greater targeting of policy on clustering within and for the VCS.

A key distinction emerges that, whereas in business, clusters are the products (for example bio-chemicals or textiles), among voluntary and community organisations, clusters develop to *do* rather than to *be*.

Taken together, this literature review includes indications of:

- the uncertainties and unknowns of an organisations' decision to take part in clustering
- the varying impact of fiscal pressures as a lever for collaboration
- the need for complex and transferable skill sets, but insufficient attention to people factors – especially building trust between organisations
- the centrality of shared values to give cohesion to a collaboration
- the role of clusters as a tool and focus for business development
- a distinction between the concept and the activity
- an emphasis on geographic proximity, and larger rather than smaller participants
- competition as a driver for clustering
- a modelling of 'ideal type' cluster development and success factors, but little consensus on how to define a cluster
- the requirement for public (funding) support alongside concerns around public policy support and a lack of evaluation of governmental support initiatives
- major expectations for clustering results, notably innovation, rising productivity and knowledge transfer, but limited evidence on the extent to which clusters deliver their objectives.

Part 2: Clusters in and of VCOs – published findings from the field

Four reports from the VCS are examined to distil learning on the opportunities gained and the constraints faced in cluster work. Three describe and analyse particular VCO cluster or cluster-style activities, and the fourth examines wider forms of collaborative working. From these reports, a number of important issues for the clustering process are identified, including:

- the extent to which clusters should be based on selective or mass invitation
- the extent to which existing governance systems will fit with any new organisations that develop
- the essential importance of ‘bespokeness’ in all aspects of cluster support, including facilitation
- the kinds of time lines that clustering work may need, and
- the fate of organisations outside collaborative groups.

Part 3: Developments in the field: clustering as choice, intervention, process and product

This section reviews developments in the field which are currently underway in two sub-VCS contexts: four *bassac* Sharing Without Merging (SWiM) initiatives with community organisations, and three other initiatives led by volunteer centres.

Of the SWiM cluster projects, each raises a wide range of issues. In summary, the three Yorkshire and Humberside examples illustrate the early stages of cluster development and evidence a range of learning around the kinds of choices clusters make for shared work – ranging from PR and media influencing, through to shared buildings maintenance and HR – and therefore the ‘non-conformity’ of cluster work. Issues are also raised around managing priority-setting processes, tackling governance as well as funding issues, and leadership issues if cluster work stalls. The flexibility of consultants’ roles was implicit, together with questions concerning direction, urgency and options for the clusters. The sectoral value of cluster ‘groundwork’ by organisations which may then be unable take the work forward is also raised.

The fourth, east London, example illustrates the practicalities of cluster enlargement, the paramount importance of addressing governance needs when shared services are proposed, and raises questions about the skills needed to re-energise initiatives that may stall for lack of resources to take them forward.

In volunteering organisations’ contexts, where the term ‘cluster’ is not in evidence, developments ranged from the creation of a sub-regional volunteer centre network to a shared County-wide identity for volunteering centres. The emphasis in the Wirral case was of ‘coalescence’ as an expression of unity among the organisations coming together, and that seeking funding at a key point in the group’s life will be an ‘all or nothing’ event. The issues arising from these three cases include the emergence of leadership in the group, the value of gaining a collaborative identity early on and the impact of ‘like-mindedness’ or identical service delivery on collaboration.

Part 4: Reflections and conclusions

From these live case accounts, a framework for further understanding the demands and nature of the clustering process is developed, examining 'mobilisation', 'action' and 'realisation' phases.

An overview of the cluster 'world' for the VCS is then derived, outlining cluster 'essentials', risks and rewards. The continuation of key themes, including the centrality of pre-cluster information gathering, the diverse nature of cluster choices, the dilemma of balancing stability versus instability and the role of urgency in cementing or diminishing commitment – all point to the kinds of demands being placed on cluster facilitators and internal cluster leaders.

Clustering is always going to be a difficult activity; but one for which the sector's value base of sharing (knowledge, know-how, people) is uniquely fitted. Learning from these experiences needs to be captured and disseminated throughout the VCS.

This review, by expanding on the complexity and challenge of the cluster concept, process and activities, is not about making it look easy. Rather it is about strengthening the case for resources for clustering work generally and clustering facilitation in particular. This will make it no less difficult but increasingly accessible to VCOs; so offering new models of working for organisations where infrastructure vulnerabilities persistently put their service quality, innovative work and policy influence at risk.

The degree of public policy support for business clustering, together with the kinds of responses now found in VCS cluster growth, together help make the case for targeted external funding to develop cluster facilitation and provide start-up funding at the point where new organisational priorities are to be put into action.

The relatively large public budgets for business clustering development alone suggests a value in exploring a budgetary equivalent for the VCS, on a scale commensurate with the sector's diversity, multiple locations, pre-existing networks, and its valuing of side-by-side rather than top down initiative funding.

A visible 'second wave' pilot approach requires learning from the accounts of VCO clustering that are already available. In turn, the skills that are developing in cluster facilitation in the VCS might be applied from this sector into industrial and business firms' settings.

Appendices

Summaries of key academic and practice literatures on collaborative working among VCOs, clustering and clustering policies are provided in the Appendices.

Introduction

This is an opportune time to review and reflect on the ways in which voluntary and community organisations are recognising and acting on an impetus for shared working through organisational grouping-together or ‘clustering’.

The public policy focus on clustering in the UK has been marked in industrial and business contexts, where geographical concentrations of firms are supported to enhance firms’ productivity and innovation, and thus competitiveness. In the community and voluntary context, clustering among organisations has been necessarily far less visible, and far fewer in number and reach, than in business. However, clustering by such organisations is beginning to grow, and with no less ambitious intentions than those in business.

Reasons for clustering include service improvement for users, pooling expertise where there are chronic shortages and high costs, and maximising opportunities to engage with increased strength in fast-moving policy arenas. Whereas in business the clusters are the products (for example bio-chemicals or textiles), among voluntary and community organisations (VCOs), clusters develop to do rather than to be – to share office services, to combine training, to co-ordinate a common voice in public negotiations.

In both sectors the growth of the cluster phenomenon expresses ‘...a broader re-orientation of research and economic policy towards the microfoundations of prosperity and growth’¹. For VCOs, the equivalent of prosperity is sustainability. Accounts of cluster work in this sector are suggesting the value of relatively small scale, pragmatic and less dramatic responses to sustainability issues, in contrast to larger scale partnership working or VCO merger. They also indicate the potential for clustering’s immediacy of outcomes.

A central feature of support for clusters as processes and outcomes has been *bassac’s* Sharing Without Merging (SWiM) initiative, currently being piloted through the Community Alliance. This is helping clusters of community organisations investigate the potential for sharing services which would otherwise be unaffordable for them. It is the accounts of the developments in this initiative, supported by Home Office and national ChangeUp funding, which go to make up a picture of what is currently ‘on offer’.

What then are the characteristics, values, goals and outcomes of clusters of community and voluntary organisations? How has the case for the development of business firm clusters developed, and what can be learned from business clusters that may be transferable to the VCS? What does research on VCO collaboration generally suggest that may help maximise clustering gains? Where has clustering in the VCS occurred and been studied and with what results? Why, where and how are VCOs evolving clustering organisations, in what forms and with what kinds of intervention and support? How do cluster participants tell their stories and what kinds of micro – or macro – outcomes are being sought and achieved? How, when, and where do the risks of clustering emerge and how are these managed? When and why – if at all – do clusters fail? Is there a developing story of cluster identification, prioritisation, governance, and results sufficient to suggest models for both understanding and guiding clustering processes and practice?

In response to these questions, this report is organised into four main parts:

Part 1 explores the cluster as concept, the literatures on collaborative practice among VCOs generally, which offer pointers for current and would-be ‘clusterers’, and the work on and critiques of business cluster development.

¹ Ketels, C. H.M. (2003), ‘The Development of the Cluster Concept – present experiences and further developments’, Institute for Strategy and Competitiveness, Harvard Business School, www.isc.hbs.edu/pdf/Frontiers_of_Cluster_Research_2003.11.23.pdf

Part 2 reviews and distils prior studies on clustering development among VCOs and reports on shared services work.

Part 3 presents the continuation of the mapping process of cluster work already begun, through accounts of current and continuing clustering developments in two areas of the VCS in England, those of community organisations and volunteer centres, where both facilitated and self-starting clusters are at work.

Part 4 reflects on the learning being derived to date from these current and past initiatives, suggests a practice-based framework for facilitating clustering work, through the organisational cycles of 'mobilisation', 'action' and 'realisation', and considers opportunities for policy learning from business cluster support transferable to the VCS.

Appendices provide summaries of key academic and practice literatures on collaborative working among VCOs, clustering and clustering policies.

A qualitative methodology for this report has been used throughout. Literature reviews have provided an analytical framework for understanding and modelling the nature of the clustering process; and a limited thematic analysis of existing published reports on clustering has taken place, examining governance, choices and priorities, leadership and resources.

For the current live case examples, access was gained for the SWiM clusters via *bassac*, and for the volunteer centres' work, using a 'snowballing' contact system, via Volunteering England. Case summaries were put together using clusters' documented meetings notes, where available, and conversational interviewing with cluster facilitators or organisational 'leads'. The proposed framework for deepening understanding of the clustering process was suggested by earlier work on joint working by one the authors, but has been developed solely from the documentary material (including interview transcripts) put together for the seven 'live' cluster cases.

The cluster as an organising concept

Defining a cluster

1.1 The use of the term 'cluster' as a noun and as a verb occurs across a range of disciplines, bringing with it a variety of attributes. In public health, cluster investigation into the incidence of disease may be the precursor to heightened health concern. In astronomy, star clusters are groups of stars which are gravitationally bound; both globular clusters (hundreds of thousands of old stars, tightly bound) and open clusters (less than a few hundred stars, often young).

1.2 Among VCOs, where activity is often more important than terminology, the term or idea is reported as 'just being around' in the sector, whilst commonly understood as being distinct from the all embracing notion of 'collaboration'. In effect, its practical use has come to mean a form of collaboration for specified sets of purposes, which focuses on relatively immediate, important and deliverable outcomes for cluster members, rather than on the wider values of collaborative working per se.

1.3 For the purposes of this review, clustering occurs where VCOs come together in a form of collaboration which is designed to strengthen the infrastructure of those organisations, so improving their wider effectiveness and helping them maximise gains from access to shared sources of specialist support; but which also offers opportunities for further strategic working in the long term.

1.4 Thus, the immediate expressions of clustering may be initially unremarkable – for example, the sharing of 'back office' services, such as HR or ICT support or buildings maintenance. However, the objective is to improve the quality and sustainability of the services which cluster members provide in their communities. Other outcomes may be the increased opportunities for the expression of organisations' voice and the consequent freeing up of time and space for new and innovative work.

A new term for an old practice?

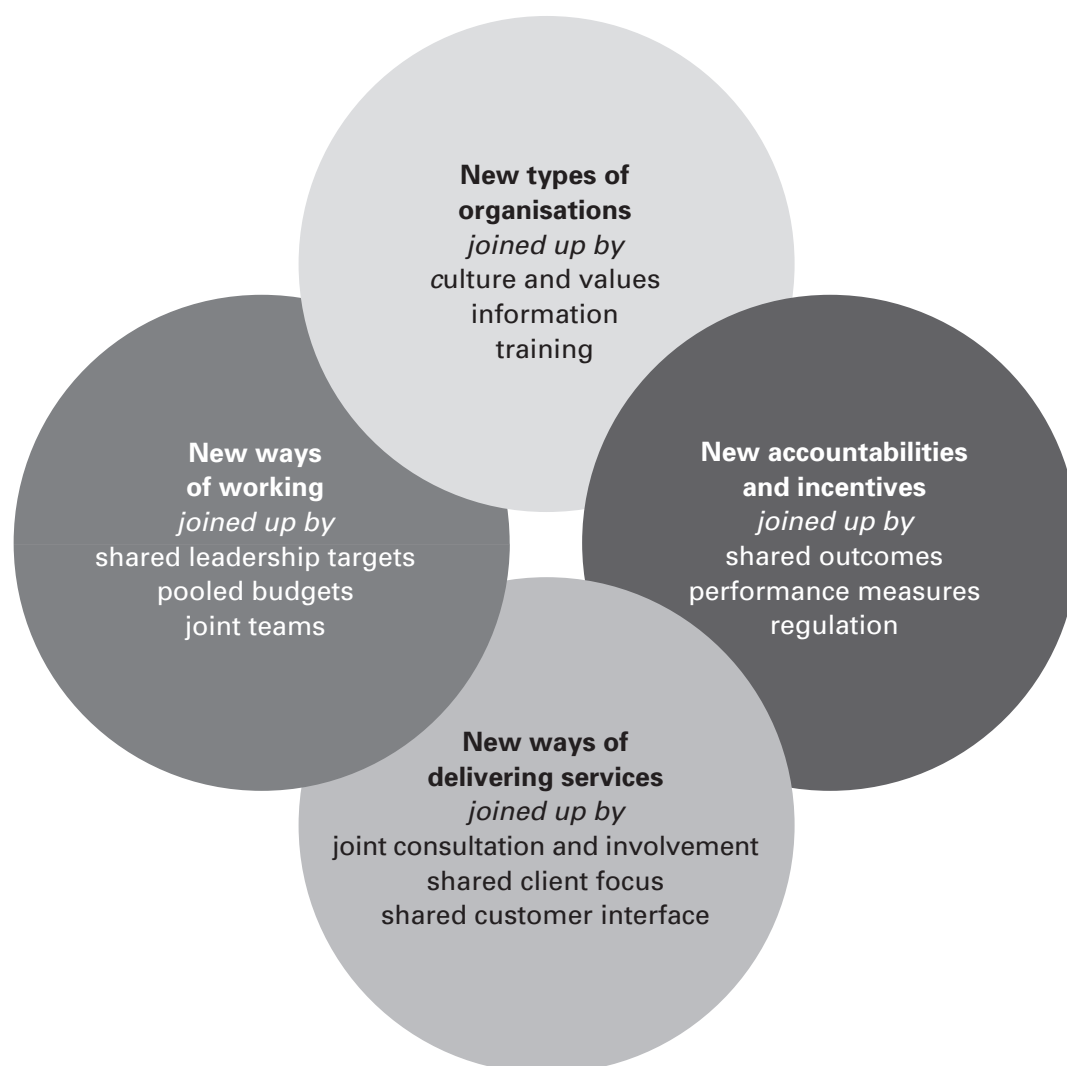
From any number of perspectives in VCS work, this approach may be viewed as a re-working of a VCS commonplace – that organisations gain from working together in certain key areas (including cost sharing), and that their shared expressed views may gain a wider and more influential platform than by working apart. So what is new?

1.6 What has propelled this particular development forward has been the significant uplift in performance pressures occurring in parallel with a lack of funding for community level infrastructure. The immediacy – and illogicality – of this situation facing VCOs has been expressed in a Canadian context by the Executive Director of the Muttart Foundation, which is funding support work for two clusters of VCOs, both focusing on HR issues, in two Western Canadian cities:

*'...no one provides core funding. If one of the projects closes, what do you do, turn out the lights one day a week?'*²

² Zummack, N., Funder Focus: Bob Wyatt, Charity Village 6 August, 2002, charityvillage.com/cv/archive/afund.html Two HR clusters, in Edmonton (6 agencies) and Calgary (7 agencies) have worked since 2002, with funding from the Muttart Foundation until 2006. Both sets of organisations 'have established common needs but each groups' needs were slightly different', Edmonton Chamber of Voluntary Organisations, www.ecvo.ca/HRVSSeminar.htm

Figure 1: **Dimensions of 'joined up working' by organisations**
(developed from Ling, 2002, 625–6)



1.7 Alternatively, the cluster, as process, structure and service deliverer among VCOs, may be regarded as a far better expression of the concept of 'joined up working' than that expected to be demonstrated among government departments. It is ironic that Ling's 'dimensions of joined up working'³, (Figure 1), intended to apply in a public management context, now appears to have many of the hallmarks of a VCO cluster.

1.8 In line with Ling's descriptive analysis, this report documents examples of clustering actions and outcomes, where the 'new ways of working', 'new accountabilities and incentives', and 'new ways of delivering services' are occurring through cluster work. In some instances, the term clustering is not used. By contrast, organisations working with the Sharing Without Merging (SWiM) initiative will be familiar with its use and its significance in describing organisational collaboration for specific activities, contributing to each cluster member's core needs. What then does the literature on collaboration among VCOs tell us about the pros and cons of collaborative work, that might enhance cluster working?

³ Ling, T. (2002), Delivering joined-up government in the UK: dimensions, issues and problems, Public Administration, 80,4, 615–642

Collaboration among VCOs: the academic literature

1.9 A detailed summary of the themes and direction of selected leading papers in this field is given in appendix 2.

1.10 Prominent in this literature is the identification of pre-conditions for successful collaboration, in advance of engaging in the process; thereby suggesting that such collaboration can be done in a rational and structured manner. For example, the '10 Rs' of collaborative performance in Acar and Guo's 2005 study⁴ comprises a tidy list or 'catalogue', drawn from a theoretical literature review. This presents a comprehensive account which is rather like the list of items required for a particularly demanding journey of exploration, but without the instructions on how – and when – to use them. So demanding are the '10 Rs' (for example, in establishing 'roadmaps', this requires *'envisioning the main phases of collaborative activities and achievements... deadlines and timetables, in cohesion with each other'*) that intending explorers might be put off the expedition entirely.

1.11 In contrast, Cigler⁵, drawing on empirical evidence from community organisations, identifies a key human ingredient – the existence of a 'policy entrepreneur, offering energy and commitment for organisational emergence and development'; and its necessary accompaniment, 'an emphasis on collaborative skill building', as the transfer (perhaps enforced) from the policy entrepreneurs to other members occurs. Murray and Osborne⁶ return to the factors leading to collaboration and emphasise the importance of the type of collaboration being sought (for example, where there is not 'the risky reduction in autonomy'). They also draw attention to the importance of external pressures for collaboration and highlight what may have become a fine line for intending collaborators – the distinction between 'moderate anxiety', prompting willingness to change and 'extreme anxiety', producing panic.

1.12 These literatures culminate in work which examines the dynamics of the exchanges occurring in collaborative contexts. Analytical and non prescriptive, this focuses on what happens when organisational cultures and values come together, with varying expectations of, and motives for, collaboration. Eden and Huxham⁷ look at collaboration as a series of 'negotiation episodes'. In this way, problematic as well as benevolent organisational motivation is illustrated. For example, they identify the 'spying organisation', joining a group to 'milk' it, and the 'vetoing organisation', where negativity leads to absenteeism, even group collapse. Less dramatically, but time-consuming for other organisations, there is also the 'outlying organisation', which needs attention in order to be drawn in fully to the group. Snavelly and Tracey⁸ bring trust to the forefront of their study of rural collaborations and identify 'violation of trust' categories by organisations, including behaviours illustrating 'turf protection', 'hogging the glory' and the 'Lone Ranger attitude'.

1.13 All drivers to collaboration bear high costs. For Huxham⁹, theorising collaboration practice from empirical studies, these costs incorporate attractive and less attractive leadership behaviours – single mindedness and perseverance on the one hand, dominance and 'thuggery' (convenorship behaviour which limits those who can take part) on the other.

⁴ Acar, M. and Guo, C. (2005), The R's of regional collaboration. 18th European Advanced Studies Institute in Regional Science, Lodz, Cracow, www.wz.uni.lodz.pl/ersa/abstr/acas.p.pdf

⁵ Cigler, B. (1999), Preconditions for the emergence of multi-community collaborative organisations, *Policy Studies review*, 16, 1, 1–18

⁶ Osborne, S. and Murray, V. (2000), Collaboration between nonprofit organisations in the provision of social services in Canada – working together or falling apart? *The International Journal of Public Sector Management*, 13,1, 9–18

⁷ Eden, C. and Huxham, C. (2001), The negotiation of purpose in multi-organisational collaborative groups, *Journal of Management Studies*, 38, 3, 373–391

⁸ Snavelly, K. and Tracy, M. (2002), Development of trust in rural nonprofit collaborations, *Nonprofit and Voluntary Sector Quarterly*, 13,1, 62–83

⁹ Huxham, C. (2003) Theorising collaboration practice, *Public Management Review*, 5, 3, 401–423; (2000) The challenge of collaborative governance, *Public Management*, 2, 3, 337–357

1.14 Drawing together the structural and interaction approaches to understanding collaboration in VCOs produces 'factors for success lists'. Cordero-Guzman's work¹⁰, concerning community-based organisations, brings together pre-conditions for organisational joint work, member attributes, other prerequisites and using milestones. These include, respectively selecting organisations with a track record of working in the community, having 'ability to compromise', agreeing a 'professionally-led planning process' and having 'concrete projects to show clear gains early on'. In all, thirteen factors unite to present a view of the capacity for collaboration and the kinds of collaborative work that will then go on to continue to add to that capacity. Like the pre-conditions studies, this kind of work offers an illuminating account of near-perfection, and may be regarded as valuable (in a 'check list' sense) or daunting (given the very comprehensiveness and coverage of the 'check list').

Taken together these literatures draw attention to:

- **the uncertainty and unknowns of collaborating organisations' decisions to take part, and then strongly or weakly**
- **the importance of formalities for creating entry and screening mechanisms for collaboration**
- **the varying impact of fiscal pressures as a collaborative lever**
- **the complex and transferable skill sets required within collaborating organisations**
- **the liabilities of organisations' opportunistic behaviour and the gains from their generosity**
- **the centrality of shared values to give cohesion to a collaboration**
- **the uncertain effects of power imbalances between organisations, and**
- **the high demands of collaborative working on people, organisational resources and governance mechanisms.**

There are also marked absences in this literature. These include:

- **reviews of the ways in which collaborative working among VCOs has been evaluated, from internal and external perspectives**
- **studies of the closure or cessation (or 'failure') of collaborative work**
- **users' perceptions of, or gains from, the quality of shared work or services**
- **assessment of the relative importance of external interventions to fire up collaboration (whether using 'top down' or mutual aid styles of working) and of self-starting collaborative work, and**
- **examination of the most appropriate funding regimes for collaboration's commencement, continuation and embeddedness in local or regional communities.**

1.15 From these gaps in the literature, further questions and possibilities follow. For example, it may be possible to characterise external interventions as more akin to organisational mentoring¹¹ than as conventional consultancy support; but this has implications for any argument that funding for collaboration among VCOs is an investment of a very particular kind.

¹⁰Cordero-Guzman, H. (2001), Interorganisational networks among community-based organisations, Community Development Research Centre, New School University, online <http://www.newschool.edu/milano/cdrc/pubs/cordero.cbo.pdf>

¹¹Harrow, J. and Bogdanova, M. (2006), Organisational mentoring and NGOs, paper in submission

1.16 Questions concerning resources and timescales are necessarily interlinked. How long is 'long enough' or 'too long' for initial collaborative work to take place, or is this defined in terms of when the money and/or the patience runs out? Given the demanding and all-embracing 'factors for success' referred to earlier, what kinds of collaborative effort among VCOs are not 'excellent' or 'very good', but simply 'good enough'?

1.17 From this VCO-focused work, questions also arise concerning the content of business-based literatures, especially given that this is where the clustering concept began. To what extent does this work throw further light on, or challenge, collaborative working rationales, especially given the extent of public funding support which business clustering has received?

Clustering in the business and industry literatures: exposing or fine tuning the cluster concept?

1.18 The concept of an organisational cluster as a basis for gaining competitive advantage, whilst signifying difference and speciality, is rooted in business and industry literatures. Porter's work¹², advancing the case for national, regional and local business clusters as an engine of competitiveness and a means of enhancing productivity, income and export growth is cited universally as the beginning of cluster theory; and his work and that of colleagues continues to dominate the field. Thus, Ketels¹³ defines clusters as '*groups of companies and institutions co-located in a specific geographic region, and linked by interdependencies in providing a related group of products and/or services*' capable of classification by type of product they provide, the type of locational dynamics they experience, and by stages of development they illustrate. Business environments – a necessarily vague term – are the drivers of cluster performance, capable of review in terms of Porter's analytical 'diamond'. This incorporates factor conditions (e.g. infrastructures, skills), demand conditions (e.g. customer sophistication, product regulation), the context for strategy and rivalry (e.g. taxation structure, and other companies' competition practices) and the presence of related industries (e.g. the breadth and depth of the cluster).

1.19 As an economic vehicle, not only for doing well but doing better, business clusters continue to be the focus for academic and practice study, although there is divergence between the two as to clusters' value, delivery ability and achievements as a policy tool. On the one hand, it is suggested that since cluster definition is vague, its policy tool value is limited. Martin and Sunley¹⁴, calling for a 'more cautious and circumspect' approach to its policy implications, go so far as to suggest that its use should carry a 'public policy health warning'¹⁵. On the other, Ketels¹⁶ presents the practitioners' argument on their behalf:

'Practitioners... are under such intense pressure to develop a new, more effective approach to economic development that they can't wait for these theoretical disputes to be resolved'.

This section therefore distinguishes between thinking about cluster development, support and outcomes in the academic and practice literature. Full summaries of selected literatures are given in appendices 1 and 2.

1.20 The academic literatures thus warn of the complexity of the cluster concept and suggest a complex set of support structures required to bolster business growth from this model, rather than it being logically (and financially) self sustaining. Peck and McGuinness¹⁷ examine Regional Development Agencies' cluster strategies, emphasising the importance

¹² Porter, M.E. (1990), *The Competitive Advantage of Nations*, The Free Press, New York

¹³ Footnote 1, page 3

¹⁴ Martin, R. and Sunley, P. (2003), *Deconstructing clusters: chaotic concept or policy panacea?* *Journal of Economic Geography*, 3,1, 5-35

¹⁵ Martin and Sunley, Footnote 14, page 5

¹⁶ Ketels, op. cit., note 1, page 2

¹⁷ Peck, F. and McGuinness, D. (2003), *Regional development agencies and cluster strategies: Engaging the knowledge-base in the North of England*, *Local Economy*, 18,1, 46–62

of pragmatism to modify existing networks to meet the 'clusters agenda', so that clustering brings forward relatively few new ideas. Hendry and Brown¹⁸ examine types of collaboration in the biotechnology sphere, with limitations on benefits of sharing locally, for example around 'knowledge spillover', where this occurs more from research and movement of people than through formal collaboration. Collaboration taking place through clustering was considered on the level of 'density' (the number of collaborating firms) and 'intensity', (the average number of collaborations).

1.21 Clustering as a means of sharing support during periods of industrial ambiguity is highlighted by Langendijk and Charles¹⁹, examining implementation difficulties in UK regions, including 'finding the right approach to funding', and the likelihood of 'short term funding for long term results'. Taylor et al's²⁰ work on financial services clustering and its significance for London, used surveys to discover the extent of supportive policy environments for the cluster, the role of internal competition and the pressures on 'de-clustering', including the possibilities of 'groupthink', 'over-consolidation' and the development of cartels. The attempt at 'confinement' of clusters to suit public administrative boundaries and geographies (although clusters exist across such boundaries) is also noted.²¹

1.22 In contrast, practitioner (including governmental) literature is aspirational and positive, at times reverential, with clustering benefits presented on a grand scale, including the development of innovation capacity, and clusters as repositories of vital industry specific skills and capabilities²². This OECD report also cites the importance of cluster promotion, the need for business to commit to the activity not the institution ('clustering not clusters') and elaborates 14 steps in an 'idealised cluster development process' (Step 10 is 'investment', though whose is unclear).

1.23 In a report for the Department of Trade and Industry and the English RDAs in 2004, the centrality of clusters as a given in economic (and especially regional) policy is confirmed. Here, 'contributory factors for success' nevertheless are puzzling and potentially contradictory. They include, for example, 'the presence of large firms', and 'entrepreneurial spirit' but also 'adequate infrastructure' and 'access to finance'²³. In a US study funded by the Ford Foundation, on 'bridging community and economic development', the importance of enhancing the competitiveness of firms in poorer communities was the focus, noting the value of 'at least one intermediary body playing a prominent role'.²⁴

1.24 Maintaining clusters and clustering is a central concern to practice. An Urban Forum Seminar in 2005 argued for the inherent value of the clusters idea – offering interaction, proximity and synergy – with uncertainties about its contributions to regeneration and how 'clusters and the third sector' might be addressed. In 2003, a conference to 'Discover the Lustre in Sustainable Clusters' raised a stream of concerns, from gaining policy coherence to 'selling the long term advantage' of the clustering approach²⁵. Such developments need to be seen in the context of the levels of policy support and funding which clusters in business and industry have received in the UK, with the DTI playing a central role in

¹⁸ Hendry, C, and Brown, C. (2006), Organisational Networking in UK Biotechnology Clusters, *British Journal of Management*, 17, 1, 55–76

¹⁹ Langendijk, A. and Charles, C., (1999), Clustering as a new growth strategy for regional economies, Centre for Urban and Regional Development Studies, University of Newcastle

²⁰ Taylor, P.J., Beaverstock, J.V., Cook, G., Pandit, N., Pain, K. and Greenwood, H. (2003), Financial services clustering and its significance for London. London: Corporation of London

²¹ Scott, J. and Roper, S. (2005)

²² OECD (2000), Enhancing the competitiveness of SMEs in the Global Economy: Strategies and Policies. Local Partnerships, Clusters and SME Globalisation

²³ DTI and the English RDAs (2004), Cluster Strategy: a practical guide to cluster development, Ecotec Research and Consulting

²⁴ Christensen, P., McIntyre, N. and Pikholtz, L. (2002), Bridging community and economic development: a strategy for using industry clusters to link neighbourhoods to the regional economy, Shorebank Enterprise Group (SEG)

²⁵ The Orange Studio (2003), Discover the Lustre of Sustainable Clusters, Forum for the Future, Regional Futures post-event report

promoting their adoption and spread, and Regional Development Agencies required to focus attention on supporting existing and embryonic clusters. A complex definition of clusters currently appears on the DTI website:

'Clusters can be defined as concentrations of competing, collaborating and interdependent companies and institutions which are connected by a system of market and non-market links'.²⁶

1.25 Clusters are then the primary responsibility for the Regional Development Agencies, and as such are now fully included as part of a general regional economic development brief²⁷. Spending levels on clusters are thus interwoven with other regionally based initiatives. However, the Yorkshire and Humber Assembly notes that:

'In 2000–2001, the DTI established a £15million Innovation Clusters Fund as a pioneer funding stream to RDAs to promote cluster development and business incubation... with a further £35m (Regional Innovation Fund) of development funding in 2001-2002... clusters and business incubation are expected to continue as a key component in RDA regional economic strategies for the foreseeable future'.²⁸

1.26 This is despite 'reservations' concerning cluster policy support to businesses from the House of Commons Trade and Industry Committee in 2003–4. This recorded problem of regional duplication, an overemphasis on geographical clusters leading to neglect of industries more dispersed, and noted that *'...clusters do not conveniently confine themselves to the administrative boundaries of the RDAs'*.²⁹

Taken together, these literatures indicate:

- **the role of clusters as a tool for and a focus for business development**
- **the distinction between the concept and the activity, with the dynamic of clustering central**
- **the emphasis on geographical proximity and larger rather than smaller industries as cluster participants**
- **the drivers for clustering led by competition**
- **the modelling of 'ideal type' cluster development and success factors**
- **the demands of clustering development and the requirement for public (funding) support, and**
- **major expectations of clustering results, notably innovation, rising productivity, knowledge transfer.**

²⁶ www.dti.gov.uk/regions/clusters/FAQ/psc16392.html

²⁷ DTI House of Commons Questions, R. Cooper to A. Michael: 2 May 2006, 'The Government-funded regional development agencies are the key vehicle for driving forward regional economic development... (The) Regional Economic Strategy... (aims) to develop business cluster and key sector growth potential, assist access to finance, develop business incubators, promote innovation, drive up skills and support regeneration', Hansard column 1382

²⁸ Yorkshire and Humber Assembly (2005), Clusters Policy: Scrutiny Enquiry 6

²⁹ House of Commons Trade and Industry Committee (2004), Support to businesses from Regional Development Agencies: Response to the Committee's Fifth Report of Session 2003-04, HC 1042, paragraphs 16–19

Nevertheless, there are omissions and uncertainties too, including:

- **little consensus on how to define a cluster**
- **limited and uncertain evidence on the extent to which clusters deliver their grand objectives, especially in the area of innovation**
- **generally a lack of evaluation of governmental support initiatives, which are increasingly incorporated into similar but different policy fields (such as 'business incubation')**
- **concerns that public policy approaches to clustering are relatively artificial and may encourage an over specialisation in industry and/or only incremental rather than major change, and**
- **insufficient attention given to the people factors in business cluster development, especially the development of trust between businesses, as this relates to the (apparently contradictory) goal of increasing competition.**

1.28 Clusters in business and industry, as they appear in the literature, are therefore both a fine-tuned concept, with their advocacy by public policy makers, and an exposed concept, with uncertainty over their meaning and outcomes being stressed. With cluster growth in the VCS so far lacking such levels of governmental advocacy, there are nevertheless a limited number of published reports which examine this development. These are considered in part two.

2

Clusters in and of Voluntary and Community Organisations: published findings from the field

2.1 Opportunities to access material and case examples of organisational collaborations of various kinds by VCOs are increasing. This is facilitated particularly by the National Council for Voluntary Organisations' (NCVO) Collaborative Working Unit, where collaboration is recognised as running from informal alliances and networks, through joint delivering of projects to full merger³⁰. Case examples of a wide range of collaborations are available, in addition to the Unit's supporting work. In 2005, for example, the Unit conducted a survey among funders concerning collaborative work in the sector. Although a wide level of general awareness was found, awareness declined with more formal types of collaboration³¹. A guide to joint working in public service delivery was published in 2006. However, more specific work is also beginning to be made available concerning clustering and clustering style work; and four examples are explored in this section, to distil learning and examine the constraints under which clustering amongst VCOs occurs.

2.2 The following reports are considered:

Cluster Development for the East Midlands Voluntary and Community Sector, Building the Future Together, 2001

The Birmingham Shared Services Pilot, 2004

Network Junkies, Animators and Trust: The Participatory Micro-Cluster Pilot Project, 2004

The Sharing Without Merging Review of Collaborative Working and Sharing Back Office Support in the Voluntary and Community Sector, 2005.

Cluster development for the East Midlands Voluntary and Community Sector, Building the Future Together³²

2.3 This report is presented as a pioneer study, *'the first time in England that cluster development has been used with the voluntary and community sector, indeed we believe it to be the first time in the world'*³³. Commissioned by the East Midlands Development Agency from NCVO, this is presented as a baseline study assessing cluster relevance and need in the sector – *'if it were possible to have cluster development in the sector, why would the sector want it? What would cluster development be for?'*

Defining cluster development as an 'intervention' aimed at creating the conditions of a successful cluster, the report drew on 44 in-depth interviews, two focus groups, and a seminar on clustering for 40 stakeholder representatives to conclude that sector clusters needed to develop organically and incrementally, with the need to build on existing linkages and collaboration. Variations in the extent and quality of infrastructure support was identified, with organisations especially facing HR skills, training, retention and recruitment challenges, limits to strategic capacity and a range of funding problems, including lack of expertise in income diversification that might improve autonomy.

Perceived barriers to cluster working included competition for funding and over territorial roles, the lack of a mandate and resources for joint working, lack of understanding of the

³⁰ www.ncvo-vol.org/collaborativeworking/unit/

³¹ NCVO (2005), Funders' Survey: Collaborative Working in the Voluntary Sector

³² Cluster Development for the East Midlands Voluntary & Community Sector Building the Future Together, East Midlands Development Agency and the NCVO, the East Midlands Regional Assembly, 2001

³³ Op. cit.

VCS by supporting agencies, and (it could be argued paradoxically), a short-term, go-it-alone culture. Collaborative actions for cluster work could include fundraising and income generation, service delivery, marketing and lobbying, and volunteer recruitment. Measures to support clustering included building awareness of the benefits from joint working and 'broker' organisations, to facilitate organisations working together.

The Birmingham shared services pilot report³⁴

2.4 This project aimed to discover what roles might be played by a local development agencies network³⁵ in Birmingham, in supporting grassroots voluntary and community groups to gain access to infrastructure services, and thus improve their own service delivery. Central to the project was building a picture of the nature, extent and realities of these infrastructure needs. Led by Birmingham Settlement, working with ten intermediary organisations, all receiving funding from the local Learning and Skills Council, the project offered field research on infrastructure needs at this level, including organisational self assessment of strengths and weaknesses and a study of the extent to which responding organisations had taken up existing capacity building programmes.

As the vital preliminary to any external promotion of collaboration in sharing services, the report identified key sectoral aspects which affect collaboration expectations, practice and likelihood. Using a community consultant to engage with local groups, the profile of the community organisations showed their relative fragility, often unable to access more conventional capacity building (CB) training because of insufficient people, and facing problems when CB-trained people moved on. Some relied on volunteers and/or volunteer management committees to help cover infrastructure needs. A common experience was lack of knowledge concerning the availability of CB programmes across the city. Whatever the reasons for this:

'the picture is of a plethora of initiatives which do not cohere as a whole, with no co-ordinating mechanism... difficult to identify, even for those working in the CB sector... it is not clear how small organisations with only one worker (and in some cases less) can be expected to keep tabs on what is available'.³⁶

In this situation, the project report poses the question of the effectiveness of capacity building programmes generally, given that organisations most in need of help were likely to have the greatest difficulties attending. From this it follows that there is:

'a need for a model of capacity building and infrastructure support which recognises that – in addition to developing the skills and knowledge within the organisation – there is also a need for mechanisms outside what, in managerial economics terms, is referred to as "the boundary of the firm", which will help small VCOs to deal with the limits of their organisational capacity and provide a degree of continuity and sustainability'.³⁷

Respondents' infrastructure needs concerned human resources and staff development, ICT support and development, health and safety and an advisory service on access to funding and help in marketing the organisation to funders. The limitations of multi-tasking were much in evidence with the issue of finding sufficient time to keep abreast of the full range of organisational requirements whilst also delivering services. Moreover, while some organisations within the study were likely to grow, others were very much niche providers and likely to remain small.

For the intermediary organisations (development agencies), two models of infrastructure support were therefore commended, one of 'technical assistance', the other a 'more bespoke form of support', termed 'fieldwork', involving help with needs identification,

³⁴ Birmingham Shared Pilot Services, Assessment Report, 2004, Neadon Consulting Ltd, London

³⁵ The Local Agencies Development Forum, funded by the Learning and Skills Council for Birmingham and Solihull, through the Neighbourhood Learning in Deprived Communities programme

³⁶ Ibid., note 32, page 13

³⁷ Ibid., page 14

support for lone workers or help where workers were in transition. It was noted that this kind of support elsewhere has then gone on to aid the development of clusters of organisations, where bids for new kinds of work, beyond current capacity could be contemplated.

Intermediary organisations are then seen as appropriate both for mediating technical assistance and for the bespoke fieldwork support. Taking a view from earlier research that an organisation with a full time staff team of less than four should be regarded as 'fragile', the report estimated that between a half and two thirds of the thousand VCOs in Birmingham would exhibit a degree of fragility and would be likely to need access to some support of this kind. At the centre of this work then is the limits of the 'carrying capacity' of small organisations and how that can best supported on a bespoke basis by local intermediary bodies, with their own funding stream for this purpose.

Network junkies, animators and trust: the participatory micro-cluster pilot project 2004³⁸

2.5 The Report of a fifteen month action research project to support voluntary sector cluster development processes in Nottingham, Derby and Lincolnshire, concluding in March 2004, with funding from the East Midlands Development Agency and the Charities Aid Foundation, offers detailed insight into fostering of three VCS cluster groups, the working methodology and the roles of facilitators to enhance and advance these processes. Underpinned by an examination of cluster theory and supported by project management and communications staff in Engage East Midlands, plus three staff trained as facilitators, this account presents 'thumbnail sketches' of cluster 'stories' and reflects on learning within these groups and by the facilitators in the project.

Three steps for cluster development, Initiation (introduction, icebreakers, mapping links, vision, hopes and fears, building trust), Incubation (brainstorming, mapping, prioritisation, tasks, list of shared aims/options, manage conflict, action plan) and Implementation – (manage feedback, prioritising, managing conflict, ongoing support) were identified. The 'facilitation' was found to be shifting towards 'animation', that is, taking on the role of leaders in raising and channeling energy:

'...cluster facilitators found that they needed to work, to some degree, against the ethos and experience of the voluntary sector, as perceived by many participants. Organisations were used to being inclusive, waiting for consensus, opting for bureaucratic procedures to assure transparency at the expense of speed. Instead, facilitators and participants were encouraged to aim at good enough inclusivity, transparency and consensus, with equal value given to action. Having a concrete proposal which a number of organisations could support was more important than consensus'.³⁹

Within the report, examples of such actions are cited, for example, the organisation in one cluster which went out and 'head-hunted' another 'like minded' organisation to join. Even so, timescales were too short. Originally planned to take twelve months, the project ran into difficulties with its recruitment of cluster groups, and funding was gained for a further six months. Needing to restart processes after lost momentum was problematic, with only one group planning and delivering on an entire sequence of meetings. The realities and frustrations of this building-block aspect of clustering are expressed:

'There may be a cultural problem that aggravates the difficulties of organising meetings and that is the acceptance of people agreeing to attend meetings and then not turning up or turning up late and leaving early. Overwork and lack of resources are often blamed for this way of working but there is also a tolerance of this behaviour in the voluntary sector culture'.⁴⁰

³⁸ Engage East Midlands, Rowley, J., Mowles, C. and Diamond, N. (2004) Network Junkies, Animators and Trust: The Participatory Micro-Cluster Pilot Project, Engage, East Midlands

³⁹ Ibid., note 38, summary, no pagination

⁴⁰ Ibid., para 4.16

Multiple evidence sources for the study were used, including observation, project journals (facilitators), reflective facilitators' meetings, qualitative surveys, semi-structured interviews, and financial data. Cluster development issues included the difficulties of ascertaining the role of the 'lead agency', (where the idea of an 'anchor' was not easy to accomplish, vis-à-vis a typical lead agency role, as in regeneration funding); and organisations' lack of prior experience of shared working, notwithstanding the partnership rhetoric that is widespread. Training courses for facilitators were developed, together with a facilitators' manual (rather than a cluster leader's guide). Questions regarding sustainability of the work are raised, with one of the three groups continuing, during the writing of the report.

Recommendations for supporting clustering include: avoiding novelty and theoretical approaches, focusing on taking action not just sharing information and promoting solidarity; dealing with issues of trust – only when asked directly by the group; supporting action by initial members and promoting broadening of contacts as support, not an end; identifying key personalities as leaders; 'starting where the interest is', and operating 'sheer pragmatism', with transparent and open processes countering fears of exclusivity.

The importance of having an outside impetus or catalyst for action is a key concluding theme; together with the firm view that clustering 'is more than simply putting a new name on support for networking and partnerships', but challenges groups to work together on areas of mutual interest and also 'challenges the sector's existing culture around working together'.⁴¹

There remains the open ended question of sustainability (ergo, it could be argued, cluster plausibility) in this study. A minority of respondents in participating organisations were negative about the exercise (*'some of my staff still don't believe in clusters and I myself am beginning to lose confidence in them'*), whilst a majority were ambivalent, acknowledging progress but not wholeheartedly in favour of clusters as an approach. However, for one respondent *'it's too soon to stop: we are now clear what skills are needed to do this properly'*.⁴²

Sharing without Merging, a review of collaborative working and sharing back office support in the VCS, 2005

2.6 This review by John Pepin⁴³ provides an extensive overview of sectoral activity for collaborating, especially where this relates to the longer term, to back office support and other infrastructure sharing. A VCS equivalent for the business sector's 'productivity' is given, with *'collaborative working (occurring) where two or more organisations work jointly to enable a greater overall output than if they pursued the activity alone'*.

A variety of collaborative models are identified, ranging from informal and short term, through to longer term and permanent arrangements. Each is distinguished by the amount of commitment of participating bodies, the level of formality within their partnership structures, its objectives and the operating costs. Four overall collaborative groupings illustrated the scope, reach and complexity of collaboration, with the levels of human and financial investment rising, as scope and formality grows (the highest investments occurring at 'group 4' level, below, table 2).⁴⁴

⁴¹ Ibid., para. 7.9

⁴² Ibid., para 4.42

⁴³ Pepin, J. (2005), *Sharing without merging: a review of collaborative and sharing back office support in the VCS*, bassac, London

⁴⁴ Ibid., pages 24/35

Table 1: **Types of collaborative working in the voluntary and community sector**

Group 1	<ul style="list-style-type: none"> • Network groups • Umbrella groups and membership organisations • Affinity schemes for discounted purchasing
Group 2	<ul style="list-style-type: none"> • Joint research and development projects • Joint training groups
Group 3	<ul style="list-style-type: none"> • Buying groups • Lobbying groups • Fundraising groups • Clusters – sharing building facilities and services • Organisational incubators
Group 4	<ul style="list-style-type: none"> • Outsourcing services to a corporate • Outsourcing services to a VCO • Creating a separate organisation to provide services to shareholding partners and possibly third parties (a Management Services Organisation, MSO)

Case studies provide exemplars of different collaborative types, styles, and investment implications. Funders' perspectives (including independent funders, such as the Tudor Trust) are incorporated. Case examples range from office sharing and joint purchasing schemes and consortia, through to lobbying and membership groups and the development of Management Service Organisations (MSOs). Seen by implication as the highest level of collaborative working, the MSO is the combination of the shared building and outsourcing model, with minimal development in the UK.

A brake on such developments becoming widespread, even where *'the business case might be compelling'* was seen as *'VCS managers and trustees (who are) often afraid to give up day to day control to a shared service MSO'*. In fact, for this level of development, *'losing control was a universally expressed fear'*⁴⁵. To help overcome the risks of MSO development, Pepin's proposals include the mentoring of staff engaged in the commercial elements of the work, the recognition of the importance of 'setting time aside' to enable the required speed of commercial development and the importance of identifying other potential competitive advantages from the MSO work.

Thus a major theme through the study is the extent to which pressures from funders, governmental or independent, are pressurising VCOs to act – and to be seen to act – cost effectively. Although Pepin sees the VCS sector as *'already engaged in a significant amount of collaborative working'*, it is also seen as *'slower than other sectors to adapt to the challenges of collaborative working and the opportunities that new collaborative models offer'*⁴⁶. In reflecting on 'lessons learned', Pepin identifies vital (and not-available-to-order) attributes of collaborating organisation – for example, high trust, all partners co-owning the activities, openness, honesty and inclusivity.

To gain momentum for collaborative working, Pepin's study emphasises its unavoidability for the sector, whilst noting that organisational 'participation has to be voluntary':

'...Both the public and private sector have proved that collaborating and outsourcing are a permanent aspect of business processes and therefore it is inevitable that the VCS must follow this trend'.⁴⁷

⁴⁵ Ibid., page 42

⁴⁶ Ibid., page 47

⁴⁷ Ibid., page 47

Reflections on the reports

2.7 These four reports take qualitatively differing perspectives on collaboration generally and clustering specifically. The first provides an opening of a policy window, with an example of regionally-led support, and raises the paradoxical prospect that the very determination and sheer level of effort which is to be found in so many of the small and smallest organisations may itself be a barrier to collaboration and especially to clustering. This contains another 'take' on the 'go-it-alone' perception. Organisations which have had to be very tough minded may be among the least susceptible to a clustering intervention, because they have had to manage without and may have to do so again.

2.8 The second demonstrates the likely scale and nature of the infrastructure gaps within the VCS in England's 'second city' and brings into the foreground the particular catalyst roles which intermediary organisations can and should provide in turning shared working into reality (literally intermediaries, or brokers). The evidence of the chronic lack of a comprehensive knowledge base of what kinds of capacity building was accessible and where, in one city, reiterates academic concerns about the 'over promise' of capacity building ideas and ideals⁴⁸. It also raises longer term questions about capacity building beneficiaries and whether and how there is any 'trickle down' of gains within the sector generally. The centrality of 'fieldwork' support with small organisations, a blend of external and internal interventions is demonstrated. The balancing act that continually has to take place in small VCOs is recognised implicitly, suggesting perhaps that it is time to recognise the risks of multi-tasking in the sector as well as its advantages.

2.9 The third report offers notable breadth and depth of clustering experiences from all perspectives in clustering-participating organisations, external reviewers, internal facilitators – bar those of the users of the services and activities on offer from the 'clusterers' and the funders which supported (and in this case extended) the project life. The work builds recognisably on business and community business approaches and models and wholly avoids pro-cluster rhetoric for its own sake. Its temptation for the unwary – offering in the index 'ten easy steps to cluster promotion' – and then making it clear that there are no simple instructions for joint actions, only stages and methods in which the facilitator/animater is in charge – is also evidence of the major demands and expectations being placed on those facilitators, or fieldworkers.

2.10 The report's conclusion that a more directive role than that taken by their facilitators would be recommended for further cluster work, and the explicit argument that it is these external workers who are the action motivators, is in contrast to expectations that self-motivation (to further bolster sustainability) is both feasible and desirable among VCOs. Most intriguing are the challenges to VCO culture which it presents – going seemingly against the flow and not with it – which may presage the Pepin conclusion that collaborative work is now an inevitable feature of VCO life.

2.11 In the Pepin study, the very variety of collaborative activities, spun off a range of very different experiences, needs and leadership approaches, is indicative of sectoral diversity and raises questions of the kinds of language in use across the sector generally. For example, network groups are included in the collaborative activities that are likely to be the most informal, yet the reach of some networks within the sector (particularly if they coincide with formal membership systems) may belie that informality. The creation of what are evidently new kinds of organisations – the MSOs – brings us back to the consideration at the beginning of this report of the extent to which newness all round – in organisation type, style, governance, working – is an imperative for the sector in its pressurised environment of not simply doing more with less, but doing better and better at doing more with less.

⁴⁸ Harrow, J. (2000), Capacity building as a public management goal: myth, magic or the main chance, *Public Management Review*, 3, 2, 209–230

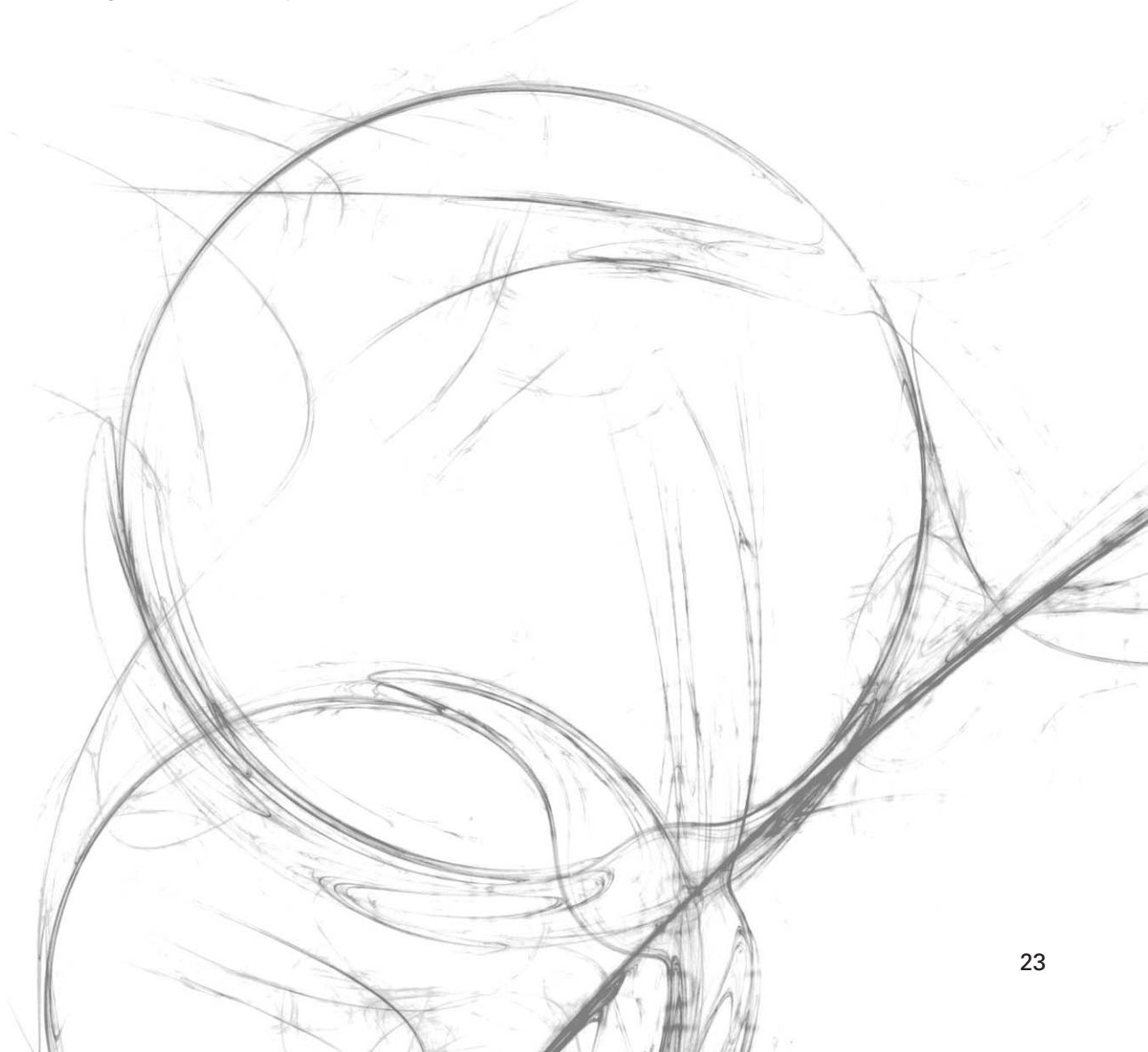
2.12 The notion of ‘fear of losing control’ within new collaborative settings and ultimately MSOs deserves more attention (this sounds very likely to be an unstated barrier to business clustering also) and particularly whether this is on the part of trustees, staff or volunteers. Collaboration of any kind brings governance challenges, and the establishment of MSOs – with yet more trustee boards to recruit – will at least ensure the sector’s awareness of how crucially important these new organisations may become.

2.13 From these reports collectively therefore, a series of aspects about collaborative working and clustering as process and outcome, arise.

These include:

- **the fit or otherwise of clustering organisations’ governance systems with new organisations**
- **the extent to which organisational choices and selectivity or mass invitations dominate collaboration**
- **the kinds of time lines that are and ought to be adhered to, and by whom, in collaborative work**
- **the fate of organisations outside collaborative groups or charmed circles, and**
- **the nature, direction and importance of the quality of ‘bespokeness’ in all elements of cluster support – for the organisations within and beyond the cluster and for the facilitators of the work themselves.**

The following section will continue with these themes by documenting current examples of clustering or cluster-like practice.



3

Developments in the field: clustering as choice, intervention, process and product

3.1 This section explores clustering or cluster style developments which are currently taking place in two areas within the VCS, community organisations and volunteer centres. There is a clear need for descriptive and analytical accounts of clustering ‘as it happens’ from participants, stakeholders, facilitators, organisations’ users and funders, but this need has to be balanced against the time and practice constraints of the clusterers themselves. These accounts, offer a series of ‘stills’, or running commentary, with the pictures still open to interpretation.

3.2 This is not in any sense an external evaluation of clustering progress (or its lack) in particular instances. In fact it can be argued that cluster development lends itself to incorporation of an internal evaluation mode, rather than an external judgmental review.⁴⁹ From the resources of documentary material, supplemented with conversational interviews with participants, a series of cluster stories have been derived. From these, some general developmental inferences are then made about the moving activity that is cluster development. Nor is it a ‘mapping’ of the extent of clustering.

Clustering in community organisations

3.3 Three examples of community organisations’ clustering here are drawn from one of four projects, currently underway with members of the Community Alliance⁵⁰, and funded from the Home Office and regional ChangeUp budget. This project is being led by *bassac* and builds on experience of its Sharing Without Merging (SWiM) initiative, that emerged from work in Southwark, South London, where a consultant worked with fourteen *bassac* members to explore sharing services and developing collective influence in the borough. A SWiM methodology is now being developed to help organisations in localities look at the scope for shared services (especially back office infrastructure), develop plans for procuring these services and implementing them, if desired, support the development of an organisational vehicle for their continuation, and the enhancement of these organisations’ collective voice and leverage. The fourth example is a *bassac*-led project, funded under the ChangeUp regional programme, examining the feasibility of shared office services for a group of relatively prominent community organisations in Tower Hamlets, East London.

The East Enders project

3.4 From an original group of three organisations, and a further invited three, all of which were among the most significant VCOs in a complex and demanding part of east London (some of them nationally known), a cluster developed in which the members had jointly a turnover of some £8 million, employing nearly 300 staff and 400 volunteers. Support for the cluster was provided by an external consultant, who was able to pinpoint their key issues and shared experiences – notably their lack of provision in the fields of HR, ICT and business development, their consequent over involvement of organisational leaders in ‘housekeeping tasks’, and an inevitable over-reliance on multi-tasking, especially by chief executives. The lack of a professionally resourced and stable infrastructure hampered both

⁴⁹ See for example Minnett, A.E. (1999), Internal evaluation in a self-reflective organisation: one nonprofit agency’s model, *Evaluation and Program Planning*, 22, 133–362. Minnett argues for and illustrates internal evaluation combined with other managerial roles as the best basis for organisation reflection and learning, in one agency. Significantly, this multiple-role collaborative approach has ‘the substantial support of our funders and their insistence on continuing program development in our organisation’

⁵⁰ *bassac*, The Development Trusts Association, Community Matters and The Scarman Trust

current and future work; and the particular vulnerabilities of medium sized VCOs such as these were highlighted individually (needing the same range of technical expertise as larger organisations but being too small to afford this, at least alone).

Following an initial review of options (e.g. joint employment, outsourcing), the group agreed to explore the feasibility of sharing services in key business areas, as well as exploring informal collaborations, through staff forums. A feasibility study, led by the consultant, progressed the case for sharing staff in HR, ICT and business development; and to options for implementation. That is, informally, with individual staff 'hosted' in one organisation, with few set up costs and governance implications but a danger of project drift over time, and no mechanisms for problem resolution if these arose; or formally, with the creation of a new charitable organisation to act as the focus for the project. The latter would offer a brand identity for the sharing project (important for funders) and ensure that responsibilities and opportunities were shared on an equitable basis.

The model of a company limited by guarantee was identified, requiring in return both more regular time commitment to the project than that envisaged by more informal approaches to a 'joint worker', and important attention to governance issues for the new organisation. Organisations in the cluster recognised the value and demands of the formal approach; with the plan intending the creation of an intermediary body to provide two HR staff, two in ICT and one business development worker, as a beginning. The intention was to ensure that the benefits from this new development would extend to others, through further memberships, and with a 'trickle down' effect, for the large number of smaller community organisations with whom the cluster core already worked or who used their premises.

The project then stalled given the necessary investment start up costs for a 2–3 year period, and no evident sources of funding; with funds for consultancy support running out before any other viable alternatives could be identified. Other challenges for the cluster had also included the growth in its size, from the original membership of three; and the initial demands of the governance model proposed. Whilst the creation of a new intermediary body (another organisational 'layer', 'more meetings') might have seemed precisely the last thing that hard pressed cluster members would want to do (or needed to do), the more informal route (which a general understanding of the term 'cluster' might suggest) offered major drawbacks. What if some members' needs continued to dominate over others? What if shared staff challenged conditions? What if senior staff in some of the organisations wanted to continue to play a role?

The investment type funding that is now needed remains the stumbling block; but the development can be seen more as 'pause for breath' than a cluster collapse. The quality detail of the feasibility study remains and the three initial core members of the cluster, with one new member, have now revisited the plan, and are working with *bassac's* support to identify the necessary funding to put the clustering output back on track.

Issues arising from this clustering development include:

- **the complexity of when and how organisations (and their people) join the cluster**
- **enlargement of clusters seems both logical and fair, but may put original commitment and cohesion at risk**
- **a facilitator-style consultant can frame feasibility study details (risks and rewards) in ways that organisational members can recognise, challenge, explore with their boards, and use as internal review vehicles**
- **clustering work on shared services requires major – and formal – decisions, not just talks about talks**
- **however no apparent focus on the 'easy wins' often prescribed for clusters' work**
- **governance aspects in taking forward shared services need to be addressed**

- **formal organisational mechanisms for taking shared services forward offer an increased chance of rewards and a lessening chance of risk (particularly of destabilising a cluster over time, when one group member's needs predominate)**
- **little apparent evidence of concern to increase local voice and influence – may be assumed or implied, or less of an issue altogether, where some cluster members are 'nationally known', and**
- **re-energising a clustering initiative may require new skills, or an ability to be firm about revisiting what has been gained – a new or an 'old' story to funders?**

The Yorkshire and Humberside clusters

3.5 These represent three current pilots funded through the Community Alliance. These exemplify the SWiM methodology, which incorporates a facilitative-style consultant working with potential cluster organisations over a relatively short period of time, and the important feature of a pre-cluster organisational survey, to help ascertain organisational interest, needs and dispositions towards clustering in localities.

The survey instrument follows on from the local organisations' inquiry approach used as an important preliminary in the Birmingham project and discussed in Part 2. Presented as a 'cluster development project' to local organisations the survey seeks to identify, in responding organisations, the extent to which specialist infrastructure posts are held, and in what areas, the degree of outsourcing of functions if any, as well as the services provided and the areas where those services include provision under contract to statutory commissioners. Emphasising confidentiality, the survey makes it implicit that cluster development is about practical responses to areas of specialist skill deficit.

The Yorkshire coast SWiM cluster

3.6 This is embryonic in form, running along the coastline, and crossing the administrative boundaries of two sub-regions, and areas where general VCO support is contrasting. Here the SWiM consultant has been working with a potential group of three organisations, two of which are multifunctional with buildings to care for as well as delivering services to their communities and the smaller community organisations using their buildings, other organisations making use of them and finding it difficult to build a revenue stream; one of which was not yet fully formed, and itself in an embryonic or virtual stage. One organisation in Whitby, one in Scarborough and one in Bridlington, a distance of some forty to fifty miles between them, and a lack of easy travelling along the coast, made for practical difficulties.

The fragility of such a small group was demonstrated when illness prevented attendance at consecutive meetings, a situation made more problematic because it ate into the limited time of the supporting consultant. With the withdrawal of the Whitby organisation, and the joining of a group based in Filey, the group had nevertheless identified common concerns, the need for shared property services and general operating support and the possibility of developing a community cafés network to share expertise, information and possibly training. Taking this forward, however, remains a difficulty, with the combination of numbers, commitment issues, geography and the evident need for a tangible outcome from the work to date.

3.7 The core infrastructure issues remain very sound. The local CVS has been 'kept in the loop' and the consultant currently has a paper before the CVS's 'Managers' Forum' (a regular 'coming together' of local senior VCO managers, to explore new and developing policy issues) to set out the cluster 'stall' so far. Invitations to other VCOs are thus extended for three possible outcome based projects, the development of a database of building contractors, a joint caretaker project and the organisation of a 'community cafés network', where members could keep up on regulatory and best practice requirements, and share staff and volunteer training. All three have funding implications (for example the

contractors' database, for which there is no off-the-shelf model available; and the caretaker project, envisaged as being funded through membership fees). Where and if other local organisations respond to these invitations the cluster project will move forward; and a further (limited) amount of consultancy support will be available to progress them further.

Issues arising from this development include:

- **the demonstration of the importance of the particular features of the local environment, as the contexts which help to set the agenda for cluster development, in particular the availability or absence of 'hands on' support services from second tier infrastructure bodies**
- **the recognition that community organisations' boundaries may reach across governmental boundaries**
- **the difficulty of defining an 'ideal' cluster size – a group of three may work well as a core group in more geographically linked settings, whereas for small organisations in a geographically dispersed area a group of three appears to be an insufficient 'crowd'**
- **the extent to which organisational fragility (such as dependence on one key individual) can impinge – sometimes dangerously – on other members' time (and subsequent commitment) and that of the facilitating consultant, raising the question of how to handle issues of cluster 'urgency'**
- **whether or not to pronounce where a cluster initiative has 'failed' – the example here is not a case of failure, since doing the ground work – the organisational 'digging' – is itself vital, and**
- **it can be argued that core groups in clusters are not always intended to be the sole beneficiaries, since they are doing the development work for the sector as a whole, so that already the original core have 'done their job'. However, this raises in turn whether there is any kind of 'post cluster' 'pick-me-up' for organisations which took that development initiative, highlighted what their practical infrastructure needs were and still found no practical help or its likelihood forthcoming.**

The Leeds SWiM cluster

3.8 This is a cluster contrasting geographically from that of the Yorkshire coast, and contrasting in the potential areas where clustering work may develop, demonstrating again the extent to which local cluster agendas cannot be pre-determined and are immensely dependent on what is available in the local environment. (In the case of Leeds, for example, the apparently classic cluster 'need' of ICT did not arise because of a very successful local initiative of ICT support run under local CVS auspices.) As such this also emphasises the importance of facilitator/consultant flexibility (and perhaps participants' own multi-tasking skills).

Following local organisational investigation into clustering potential and the shared needs issues, using the SWiM methodology, a cluster of six organisations was formed – all of which are health and health-related organisations. As such they have an important shared knowledge of their particular working and funding environments (for example impending primary care trust merger, increasing pressures on VCOs themselves to merge) and had particular imperatives, notably the extent to which policy and campaigning time was lost in the need to deliver, yet the increase in opportunities to do things better than statutory services. Despite this critical shared knowledge base, and working locality, none of the organisations had 'met' prior to the clustering initiative.

At their initial meeting, organisations looked forward to what they felt was needed collectively in Leeds, notwithstanding that there was a lot of money being spent on capacity building and that Leeds did not lack existing networks. On reviewing shared issues and problems, a prominent theme and need emerged, the issue of communications and

media relations. Organisational needs in the future would include profile raising and press officers, more strategic approaches to joint working, recognition of key constituencies (users and service commissioners) and responses to the likelihood that larger and national organisations could increasingly seek to work at local levels. Public Relations and Marketing were therefore seen as central to organisations' ability to continue to develop. This theme has remained the centre of the cluster's work, and although one organisation had raised the HR 'specifics' as a major concern, this did not prove to be a theme on which cluster members wished to act together. As the theme emerging for attention, this was not to suggest that organisations uniformly felt that they already did a poor job in this field. Whilst there was broad agreement that members were not 'good on influencing', some evidenced their high quality newsletters or their ability to 'sell' in selected areas, e.g. to funders.

The importance of gaining a collective voice and thereby not appearing continually as reactive providers with no thinking time has led the cluster, with support from its consultant, to review ways in which such forward-aiming joint working could be planned, implemented and delivered. This included outsourcing, pro bono support and a shared worker. The importance of a shared worker has now been signalled and clusterers have worked on a dual track, exploring specific aspects of such work which would be relevant and have priority for them (for example, branding, and for whom); and examining the implementation implications of a shared worker – working protocols, where located, how to manage cross-organisation workloads. To gauge the clearest possible picture of priorities, activities within the PR/Marketing theme were set out, scored and voted on by members, and recorded formally. From this, a first stage process, to help agencies develop their communications strategies, was identified, followed by the movement to a shared press/media activity likely to have immediate impact.

This is an ambitious set of ideas from cluster members who are now looking to ways to implement their plans. A shared Media Relations worker will require funding and the consultant is supporting the search for resources. Cluster members would need to see the benefits from any shared worker. Whilst the emphasis on PR and communications seems likely to have internal value for encouraging internal reflection and setting going an internal dynamic on the issue, this aspect too may come up against the pressure of time – the factor which was presenting this topic so strongly on the cluster agenda in the first place. The risk of making heavy demands on any shared worker also exists. Further meetings are planned for May and June 2006 and it remains to be seen whether there is sufficient support to carry on into an implementation phase, once the consultant withdraws. Whilst learning to collaborate is a continuing process and skill, the realities of cluster timetables, to lead to joint action, also need recognition.

Issues arising from this development include:

- **the likely 'nonconformity' of cluster choices – with implications for consultant flexibility and knowledge base**
- **the opportunity for cluster members to 'choose' an area for development where they already have some strengths but could do better – i.e. cluster hot topics are not all bad news**
- **the importance of recognising that looking forward was not necessarily 'fear of the future'**
- **the value of formally recording, within a given theme, the more detailed areas of concern, their relative priorities for individual cluster members, and then 'voting' on them to ascertain more clearly the balance of feeling in the group**
- **the governance as well as funding implications of choosing a 'shared worker model'**
- **the remaining challenge of 'getting a handle' on the product being sought, with some immediate or intermediate outcomes uncertain, and**

- **the likely continuance of the cluster after the consultant withdraws, linked to the forward-looking (and ironically maybe less pressing) nature of the need for joint work that has been chosen.**

The Hull cluster

3.10 As the third of this trio of projects, this cluster contrasts significantly with those of Leeds and the Yorkshire coast, comprising women's groups, with prior experience of working together in the Hull Women's Network and focused leadership in the group identified within that Network. For the cluster consultant, for whom part of the challenge is gathering the data and discovering 'who is there', the pragmatic approach was important, starting with this six-organisation network, which had already set up a community-based training company, constituted as a company limited by guarantee.

Drawing on prior knowledge and the SWiM methodology for gauging support, the environmental context of any clustering activity was well known and articulated strongly. Some were nationally familiar – the disappearance or tapering of core and project funding from hitherto key programmes, others of more local concern, such as the regionalisation of the Learning and Skills Council. There were very evident common features of work – including training and learning with women, tailoring services, property management, volunteer use; though a complex mix of priority areas also emerged from the initial fact-finding. These included governance, building space use and caretaking, service procurement, IT systems development and support. With shared drivers already expressed (such as the shared vision of the Network's future, improving recognition of its work, high standard and responsive services and providing a collective voice for the needs of women in Hull), the cluster was able to narrow down its priority issues to three areas – HR, ICT and buildings issues. Although there was, for example, some support for the idea of a capital building project (a challenge for the Network, with infrastructure issues remaining), buildings as a priority ceased to be prominent, whilst remaining a long term concern.

Further working through of the cluster's preferences for future work and methods for achievement led to an exploration of ICT issues - with some seen as too large for the Network alone to undertake, given the necessary hardware and software shopping lists. HR issues remained the most prominent and pressing area for shared work. From this point there was extensive support for 'a person' – a 'warm body' – to take shared HR work forward, which itself would be complex, given network members' differing needs (for example, in relation to board members' recruitment and training, staffing issues, from recruitment through to retention and at volunteer level also). A cascade possibility was also recognised; with a model being an HR worker to concentrate in year 1 on individual organisations' needs and then proceed to a 'community HR' service or offer, perhaps in the form of a social enterprise. This might deliver low cost advice to other VCOs; and from there lead to training for women as HR professionals.

The cluster is underpinned by prior shared values, vision and service, and delivery activities. It is currently about to enter the next stage, with fund-seeking, with consultant support where appropriate and the development of a planned bid from the cluster's leader to the Big Lottery BASIS fund.

Issues arising from this development include:

- **the value of pragmatic approaches to cluster development, 'going with what is there'**
- **the importance of cluster methodology (especially intelligence gathering) assuming that little or no prior work has been undertaken to address infrastructure type issues**
- **the flexibility and sensitivity of consultants, in working with organisations which have a long track record of prior joint work, as well as with those with some or no previous contact**

- the range of ways in which cluster topic choices can emerge and be refined
- the role of internal leadership within the cluster
- the opportunity to explore an apparently inward looking topic, to see its potential for expansion to a wider level, fitting the user/client group
- the 'waiting time' question – how might the cluster topic remain a central issue, whilst awaiting funding decisions, and
- the extent to which this priority for joint work highlights the consistent skill shortage of HR in the VCS.

These three examples are all in different ways currently in the 'SWiM' of things demonstrating the demands on facilitators as well as on clusterers throughout the cluster process. The following examples are taken from the more work focused area of volunteer centre organisation and delivery, where examples of joint collaborative working are also taking place.

Collaborating – if not 'clustering' – in the field of volunteering support

3.11 These examples are instances of current collaborative activity that can be seen as 'cluster-like', whilst tending not to use cluster terminology and in one example, without the use of an external facilitator.

Central London Volunteer Centre Network – led by Volunteer Centre Westminster

3.12 This initiative involves seven volunteer centres – six fully established and one in the process of being set up (in Lambeth, South London), with the Westminster Centre taking the lead. In seeking to set up a 'central London network' for this focused area of work, the centres are already working together on specific areas sub-regionally, where there are already some sub-regional collaborative drivers such as preparation for the 2012 Olympics.

All the centres have some experience of joint work but none at this all-embracing level. The benefits are perceived at this stage as more effective working, sharing of capabilities, even mentoring, and perhaps developing centres of excellence. It is expected that increased funding through a shared network or 'consortium' approach would be gained. However, there are clear challenges in this development. One risk might become less funding at local level, robbing Peter to pay Paul; another would be the experience (even the perception) of 'more meetings, less delivery'; another, the dilution rather than support of local priorities. The initiative is not using the word 'clustering' but rather the vision of the 'joint voice' which this sub-regional network could offer.

A detailed development plan, with milestones and measurement for outcomes was undertaken in February 2006, funded by central London ChangeUp, identifying activities which emphasise the sharing of good practices, and the role of a co-ordinator to support these. It is not envisaged at present that the network should become an independently constituted body, but that lead partners would host the co-ordination role, for which a central London location might be advisable. A more detailed agreement between network members would be required before staff employment. The network is expected to need a stable, well run core; and to be underpinned by regular review of its work, including the celebration of its successes. The development also contains a risk analysis around failure to gain funding and collaborative breakdown among the centres. Further progress is on hold, while commissioned consultants develop funding bids for the co-ordinator's post.

The Devon consortium – development of Volunteer Centres Devon

3.13 This project has been a fifteen month initiative, culminating in the successful bringing together of the eight volunteer centres in this county into one collaborative grouping, 'Volunteer Centres Devon'. An external facilitator was employed, based in Exeter CVS, to support joint work among the eight centres, involving internal aspects of their work (e.g. sharing joint paperwork systems, application forms, and practice), with the objective of gaining coherence in and raising up the service quality for volunteering across Devon. Whilst the individual centres remain in place, and have not in effect merged, this shared brand and practice approach has supported their work and widened visibility as well. With the imminent departure of the project coordinator, it is hoped that the group's 'joint' life will continue beyond issues of internal commonality and learning, and extend to external affairs. This project has not used the term 'clustering' in its work.

Coalescence of volunteer centres in Wirral

3.14 This has been a self-facilitated and self-managed project, where five centres have taken the decision to do more than just 'join up to avoid duplication' but to become a centre of excellence by 'coalescence', and have done so without using external facilitation for the 'joining up' process. The aim has been forward looking: 'when we have coalesced into an infrastructure organisation, we will provide a higher quality and more streamlined service to frontline organisations'. Funding support for the initial process came from the Lottery and ChangeUp.

The area currently has five CVSs (apparently a result of local government lack of change post the 1974 reorganisation), in each of which is a Volunteer Centre. Wirral CVS has taken the lead, although the five centres have been in agreement at each stage of the process. For each of the five, a full complement of 'people' involvement was undertaken – volunteer centre staff, CEOs and trustees, with activities such as shared 'away-days' where external facilitation was used, to ensure equality of partnership and ideas.

No external intervention was needed to emphasise that such a move 'made sense'. There were issues of service delivery duplication, identity and branding questions and the optimisation of staff resources. Common approaches to good practice, common responses to volunteers and a master database would address duplication issues and staff would be able to support one another and develop areas of specialisation. With the organisation of a steering committee and a unanimous decision to coalesce, external facilitation supported away-days and the close examination of the pros and cons once the 'in principle' decision had been reached. The centres already have their own common brand identity – 'Volunteering Wirral' – an identity that was forged ahead of its formal launch by Volunteering England's agreement that the centres' quality standards assessment could be done jointly.

Beyond this initial coalescence, Volunteering Wirral is seeking funding from BASIS for a co-ordinator, for the moment based at Wirral CVS. It is intended that no staff should be lost as the result of this process, and meanwhile, the work of database sharing has begun – an activity which has already brought visitors 'through the door, to see how it is done' (the current leader of the initiative, the CEO of Wirral CVS, plans to write a report on these developments so that learning can be shared). An all member 'management team' will now work on the Business Plan for the next five years and make the decision whether or not the shared service should go fully independent. Meantime, the initiative is established with its new name and a consolidated and equitable set of working relations and maximising its visibility, most recently with an invited presentation at a Regional ChangeUp conference in May 2006. Coalescing is seen here to be about uniting, and the term 'cluster' has not been used. Since the co-ordinator role is crucial, the funding application at this point is an 'all or nothing issue', if it is unsuccessful then (even temporarily), 'the lights go out.'

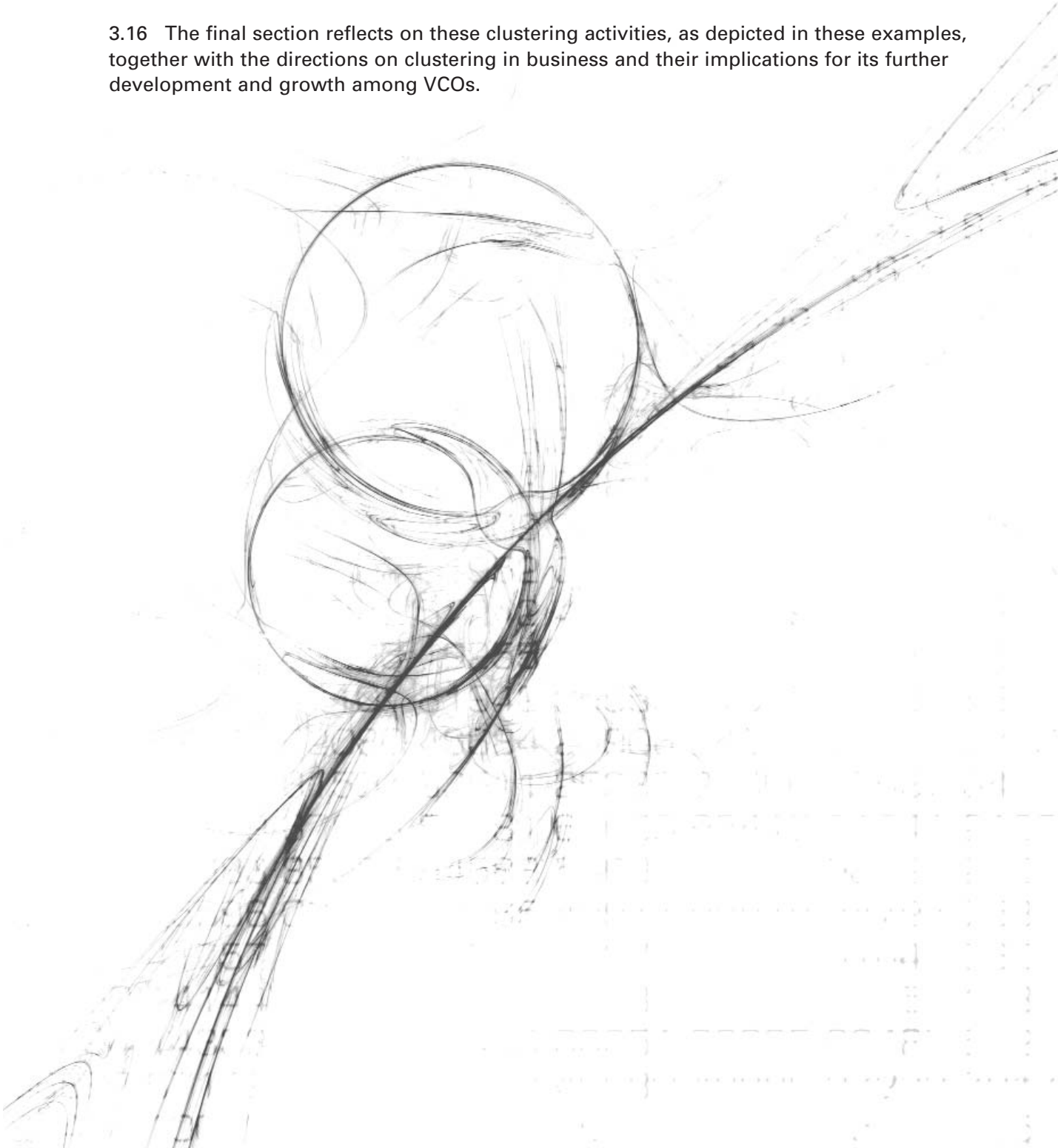
These three examples of collaboration from this more specialised sector show the opportunity to proceed to more evident actions speedily, by virtue of the similarities of work content and to be more able to evidence the immediate service improvements (for

example through quality assessment). This does not mean that collaboration is necessarily easier than in the more disparate community organisation field, though it will remove some of the key preliminaries of discovering what organisations are, and where and how they currently cope with infrastructure pressures. Indeed, such similarity may make for increased wariness among collaborating organisations.

Issues arising from this development include:

- **the varying perceptions of the impact of 'likemindedness' (or the identical service delivery area) on collaborating**
- **the emergence of evident leadership in the group, even if only temporary**
- **the value of gaining a collaborative identity early on, and**
- **once started, the choices of moving collaboration to a new and independent phase (i.e. a new body).**

3.16 The final section reflects on these clustering activities, as depicted in these examples, together with the directions on clustering in business and their implications for its further development and growth among VCOs.



4

Reflections and conclusions

4.1 The accounts of these collaborative and clustering initiatives have highlighted both initiative-specific and generalised aspects of the nature of the 'work', and in particular, the kinds of facilitation (whether internal or external to the organisations) that takes place. Are there then discernable patterns in the processes of clustering development illustrated here that can extend understanding of clustering as a whole, act as a guide for checking process, and help intending clusterers in their decisions? Are any such patterns helpful – and convincing – to funders? What kinds of achievement are being recorded from clustering work described here? How should clustering continue to be supported within VCOs, or are there limits to use, and by whom? What kinds of comparisons and possible policy transfer issues can be drawn for the VCS from the review of the extensive support for clustering in the business sector?

4.2 This section explores these areas in turn. Firstly, some exploration and internal learning concerning the nature and development of cluster work among VCOs and what it 'looks like' from the case examples presented. Secondly, a summary of how the concept and practice can now be visualised, in overview terms and ways in which increased awareness of clustering needs to take place. Thirdly, the value of business/VCO sector comparison and its wider policy implications for the VCS.

Some exploration of the clustering process

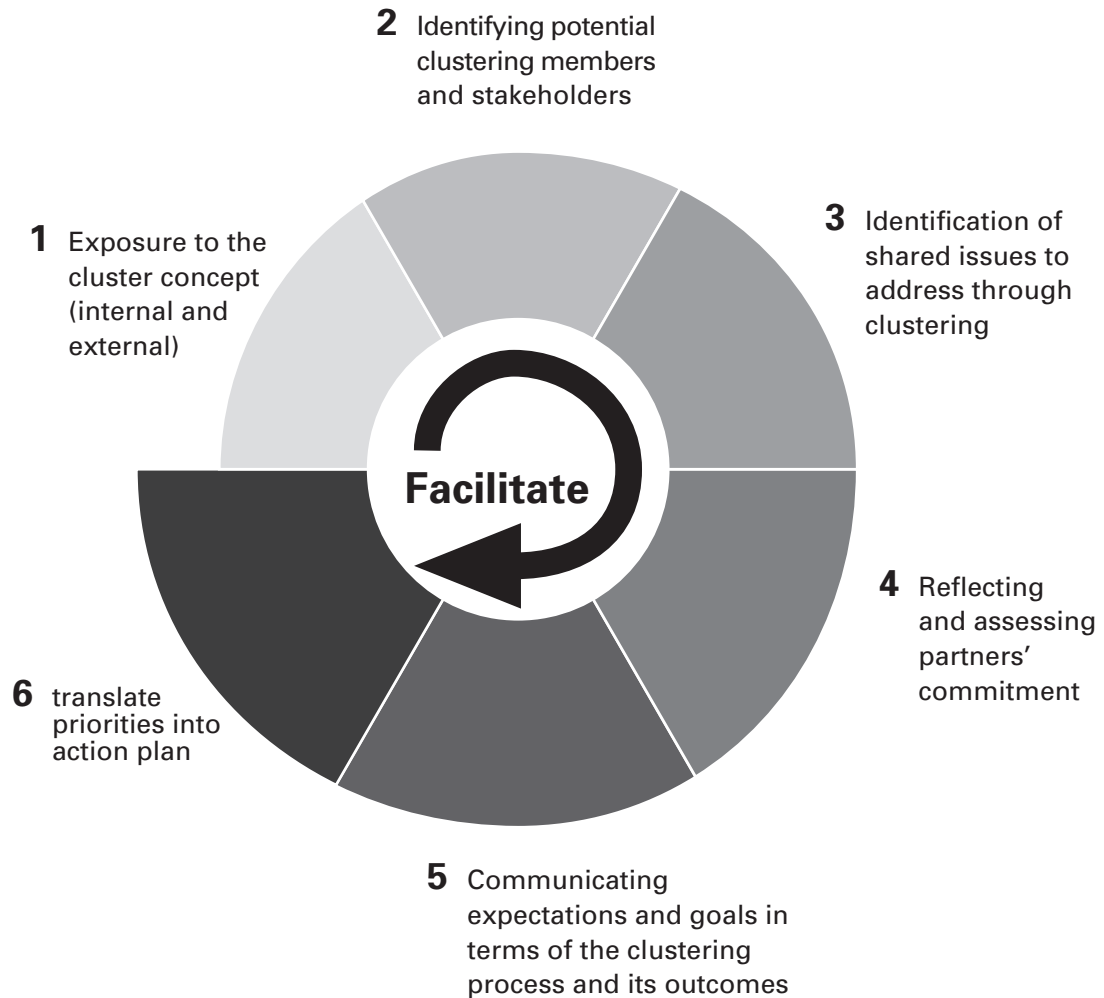
4.3 Studies of joint working in a variety of sectors continue to suggest the tensions between grand designs and limited achievements, the simultaneous virtues of patience and speed of working, and often seek to devise processual stages or typologies to distinguish a melee of activity that seems all-engrossing. In a study of joint pilot work between local authorities and the voluntary housing sector in Scotland, a limited typology of the stages required to make progress (and at some stages, lever in funding) was developed, applicable to internal and external actors. This used three broad areas of categorisation, those of 'Mobilisation', 'Action' and 'Realisation' (MAR) to explore and assess the level of achievements in each pilot.⁵¹

4.4 This thinking framework was derived in grounded fashion from the study of the pilots over a two year period, and also used as a specific benchmarking tool (each categorisation broken down into elements, against which each pilot could be evaluated). However, its overarching thesis – that joint work can be encapsulated in these three frames in a relatively neutral fashion, avoiding the heavy prescription of some work – can be seen to have value in a more generalised review of clustering work. Accordingly, the MAR framework was applied to the clustering 'stories', both to those using the SWiM methodology and the more brief examples from volunteer centre joint working, with its apparent advantages of relatively coherent prior working.

4.5 This has identified a 'MAR' framework very different from that employed by Reid, Harrow et al. A processual account for the clustering 'stories' emerges, which may be able to illuminate issues for the range of stakeholders in the cluster 'case'. These are shown in figures 2–4 below.

⁵¹ Reid, B., Harrow, J. and Mole, V. (2004), *The Risks and Rewards of Developing Common Housing Registers: lessons from the MGF demonstration projects*, Communities Scotland, Edinburgh

Figure 2: **‘Mobilisation’ in the clustering process**



This commences with *exposure to the cluster concept* (which may occur theoretically, cross-sectorally or in action), where the cluster ‘seller’ is crucial – for example, the cluster as a defence mechanism or as a strategy for seeking to improve control and lessen uncertainty.

It continues with *identifying potential members and the kinds of issues which clustering might address*. Here there are a variety of choices, from the magic or charmed circle idea, through the inevitable grouping to the SWiM methodology style survey. Differentiation of the clustering idea in general and the idea as problem solver and opportunity provider is important, and may lose some adherence and aid others.

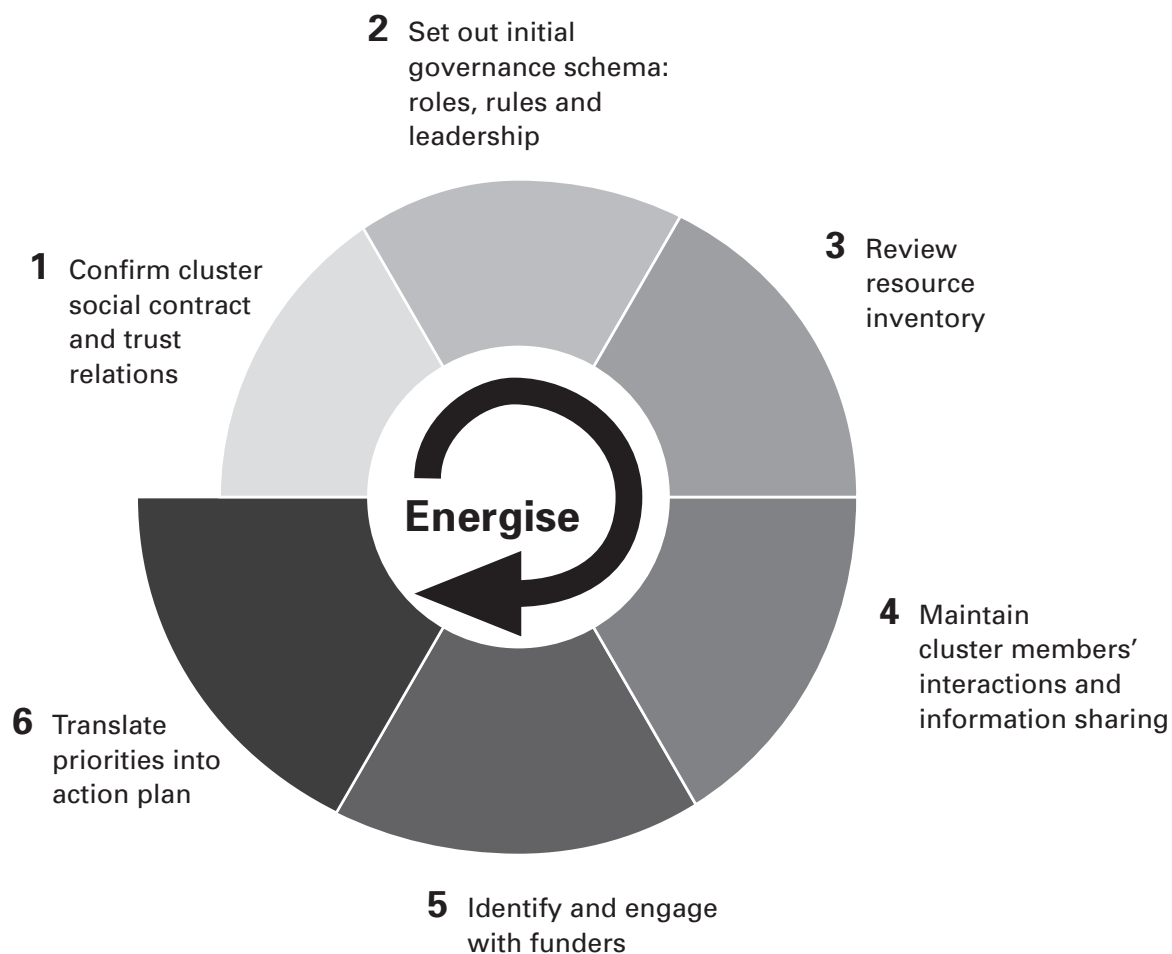
Reflecting and assessing partners’ commitment is necessarily judgmental, and will be done by a variety of actors, whether formally through some scoring process or informally and with disappointment (for example, those failing to turn up or send word); at this stage, the ‘good’ and ‘good enough’ questions may start to have importance.

Communicating expectations may be done in a variety of ways, increasing in formality and using face to face methods; the questions about seeing early gains and how to respond to clusterers whose hopes cannot be met begin here.

The prioritisation of partners’ goals and needs assumes a shake out of those staying and those going; leadership availability and expression will impact on priorities and the ways in which these are identified; from ‘clear winners’ to nuanced catch-alls, from informal recollection to formal ‘voting’ or ‘scoring’.

Throughout this stage, the importance of activities to *facilitate* are central, whether these are externally provided (or imposed) or internally emerge (or are imposed). Facilitation styles may be developmental or directive, going with the organisational culture flows in the cluster, against them, or even supporting ground rules for a working culture specific to the cluster.

Figure 3: **'Action' in the clustering process**



Here the *confirmation of the cluster social contract and trust relations* is the significant first step, and action may be halted at this point; means will vary according to cluster culture and actions may start and then stop if trust issues reappear; again good and good enough may matter, undying loyalty to a cluster has its own dangers.

Setting out the roles, rules and leadership and a governance schema gives a decision-making framework, which will help spell out liabilities as well as gains from clustering, and whilst mostly unable to 'lock in' clusterers, will make it clear that accountability issues and governance questions cannot be avoided in clustering, preferably being tackled well before a funder asks to see 'the governance structure'.

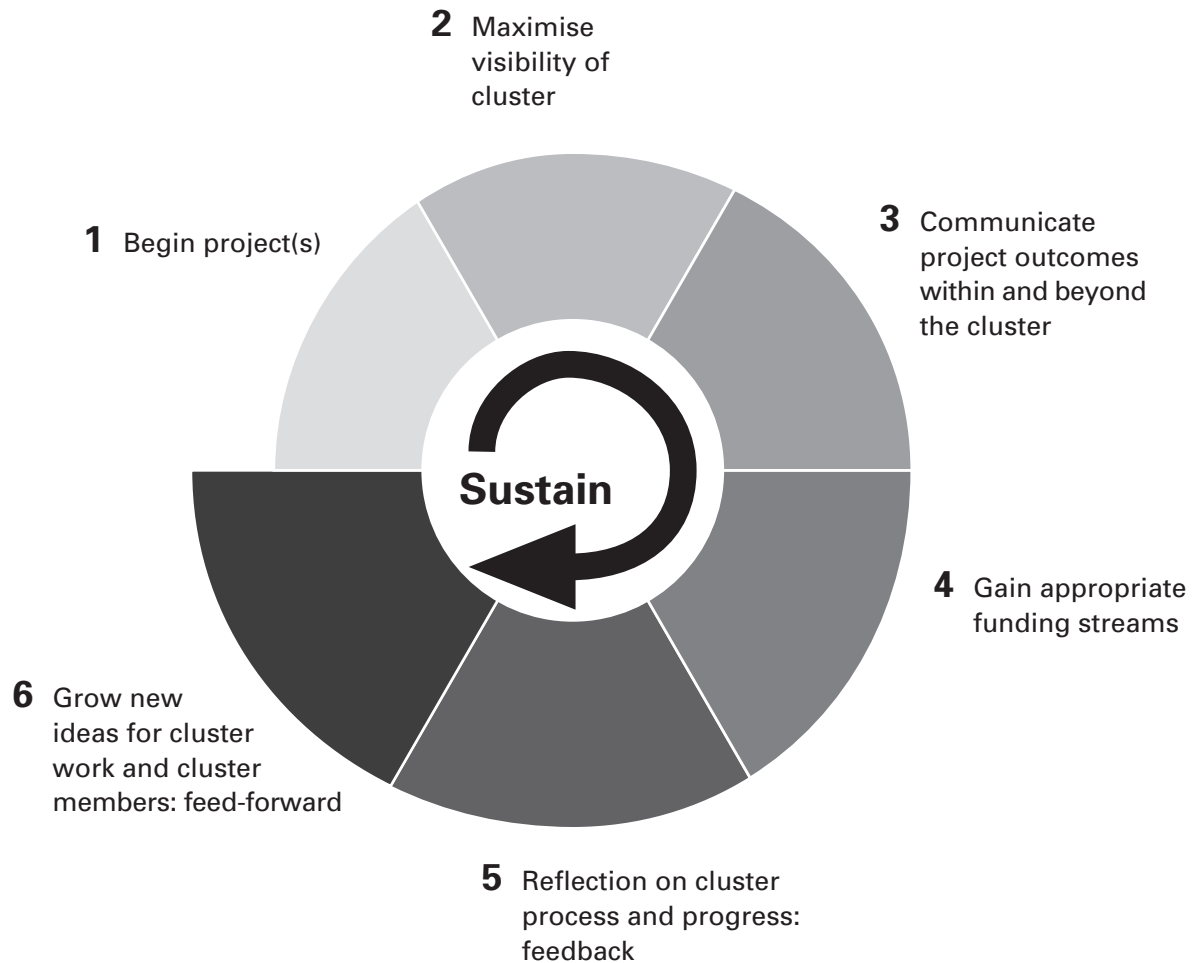
Reviewing a resource inventory emphasises existing skills in the cluster, the value of support in kind as well as developing funding targets and sources, and the likelihood of success; this may seem too front-loaded but further delay may make the 'action plan' a cluster wish list.

Maintaining cluster members' interactions helps ensure a positive stance, even where a resource inventory has shown the work to be daunting or at risk; critical spins offs from clustering are likely to occur here.

Identify and engage with funders is where the issue of cluster visibility starts to be important; and cluster leaders' ideas can be tested out before major bids are made.

Translate priorities into action plan may on the other hand sound 'late'. This assumes a 'final final' view of what is to be done, why, when, how and by whom, and for what. Here the importance of activities to energise cluster members, (or re-energise after initial exploration of the state and scale of their shared problems) is important. This may come from external facilitators, cluster members or other stakeholders, or minor 'events' such as local publicity, or small scale funding gained.

Figure 4: **'Realisation' in the clustering process**



For the majority of clustering initiatives described in this section, this last phase, where sustaining actions are crucial, has yet to begin. For some of these, 'point 4', gaining funding streams, has been elevated to the opening gambit of 'realisation'. For those where infrastructure outcomes have been produced albeit throughout unification, even standardisation, the following actions are important:

- *beginning projects* – name changes, a new brand, a new service – signifies commitment and product, from which visibility can then be enhanced (on the something to say principle)
- a continued *communications strategy* within and beyond the cluster will aid a possible degree of 'trickle down' within the sector, for example encouraging 'visitors' or modelling by others
- *gaining appropriate funding streams*, as a hall mark of sustainability and a goal in its own right, comes relatively late in this cycle and can be seen to be affected by prior visibility and communications strategies
- reflections on process and progress as feedback and feed-forward complete the cycle.

4.16 It may be argued of course that such a degree of internally based attention on clustering – its ‘unpicking’ – is of limited value in arguing the clustering case, making it seem unnecessarily complex, when what was needed was a collaborative spark from which good things would follow. In fact, such an increased scrutiny on what clustering ‘is like’ is important in order to avoid the idea that clustering means just ‘putting people together’ who have some shared problems and expect to derive improvement from this as a result. The approach makes clear that clustering is about structuring arrangements for shared actions and results, and it also illustrates implicitly the demanding nature of the cluster consultant role. Clustering from this perspective is a special blend of social, organisational, quasi-commercial and technical activities, with evident implications for resourcing clustering work at all stages.

4.17 Finally, it may help to provide a framework in which the evaluation (including internal evaluation) of clustering is able to take place with confidence. It is clear from the accounts described and the earlier published work that the final achievements of clustering are still in their initial days. The ability of clusters to drive up service development quality (and perhaps quantity) among VCOs is thoroughly embedded among clusterers as a goal, as is the wider case that clustering ensures an increased voice for its members; and it would be illogical for this to be otherwise.

4.18 However, the relative infancy of clustering work means firstly that this will continue to be taken on trust. Secondly, that structuring the point of ‘take off’ for it will be critical for its achievement, that is – the agreement about governance mechanisms for the cluster and the securing of resources to make that happen. Even the most targeted and apparently complete cluster ‘story’ in this review – that bringing about ‘Volunteering Wirral’ – will be severely circumscribed in a further development, or even consolidation of gains if its bid for funding the new co-ordinator role is not successful.

4.19 Such an approach is a required risk of clustering. Clustering is not an activity, when, in the event of absence of an appropriate resource to move it forward once structure decisions are taken, its work should be expected to continue as a kind of volunteer, added extra, activity. As a professional and managerial approach which goes well beyond immediate problem solving, it requires to be resourced as such.

Clustering as practice: an overview

4.20 Some of the limitations and uncertainties in the academic and practice literatures on clustering, collaborating and clustering in business contexts have been played out in the case examples examined in part three. What then can be drawn out concerning cluster development from these cases, and their highly individualised ‘takes’ on the intent, processes and outcomes? In particular, is it now possible to visualise or encapsulate the entire cluster scene as it is now developed in the VCS?

From the live case accounts, evidence of the impact of important operating factors within clustering emerge. These are:

- **the importance of adhering to a pre-cluster methodology – the intelligence gathering of what is there**
- **the likely nonconformity of clusters’ choices for action**
- **the balancing of stability needs versus instability needs and a sense of urgency with the commitment**
- **the value of recording decisions formally and recognising the structural demands of clustering work**
- **the variety of effects on clustering that differing leadership offers and choices will have, and**
- **the complex demands which cluster consultants and facilitators face.**

4.21 Of these, the last is critical. The role of the cluster facilitator/supporter is not to be the cluster entrepreneur but to help bring that role into being. Overdoing a sense of urgency among clusterers may induce the kind of collaborative panic that Murray and Osborne identified but without it, especially in relation to whether and what types of structures the clusterers will work by, facilitation may not be able to achieve its own goals.

4.22 From the material reviewed in this report and in the light of these factors set out above, it is possible to depict the VCS clustering 'world' visually, in order to show the vital policy and practice links. Figure 5, right, does this; and makes the case for a coherence in the state of clustering development within the VCS to have been reached; and for which external funding resources are now required which are more strategically planned than the occasional belt thrown to the otherwise sinking cluster. (The 'pracademic' term in the figure is used to denote the work approach and values of those academics whose work is informed by and directed towards practice; and those practitioners who ensure that their work is underpinned and challenged by academically-based thinking and conceptual developments.)

Business and Voluntary sector clustering and cross-sectoral learning

4.23 The contrasting rationale for coming together in clusters in the industrial/business and community and voluntary sectors is striking. For the former, this has been to trigger yet more competition. In the latter, this has been to offer mutual support in order to better meet shared aims; perhaps even as a strategy to help mitigate the kinds of competition which VCOs face for resources and the funding regimes under which they operate. 'Fear of losing control' in a cluster setting may well be an attribute shared by organisations in both sectors. A further critical feature in some areas of work in both sectors, to which clustering is an obvious response, is chronic workforce shortage.

4.24 However as the literature reviews suggested, business clusters' abilities to enhance innovation seem in doubt and yet it seems to be this goal which is central to the levels of government funding made available. In fact, the shifting of the business clustering policy goalposts (to take in the possibility of being part of the regeneration toolkit) may indicate that this belief is on the wane. What learning can then be gained for clustering support in VCOs?

4.25 Policy transfer is invariably problematic between sectors within one country, as well as across national boundaries⁵². Nevertheless, some pointers do emerge, as set out in the table overleaf.

4.26. The relatively large public budgets for business clustering development alone then suggests a value in exploring a budgetary equivalent for the VCS, on a scale commensurate with the sector's diversity, multiple locations, pre-existing networks, and its valuing of side-by-side rather than top down initiative funding. A visible 'second wave' pilot approach requires learning from the accounts of VCO clustering that are already available. In turn, the skills developing in cluster facilitation in the VCS might be applied from this sector into industrial and business firms' settings.

⁵² James, O. and Lodge, M. (2003), The Limitations of 'Policy Transfer' and 'Lesson Drawing' for Public Policy Research, *Political Studies Review*, 1,1, 179–195

Figure 5: **Clustering in the VCS: an overview**

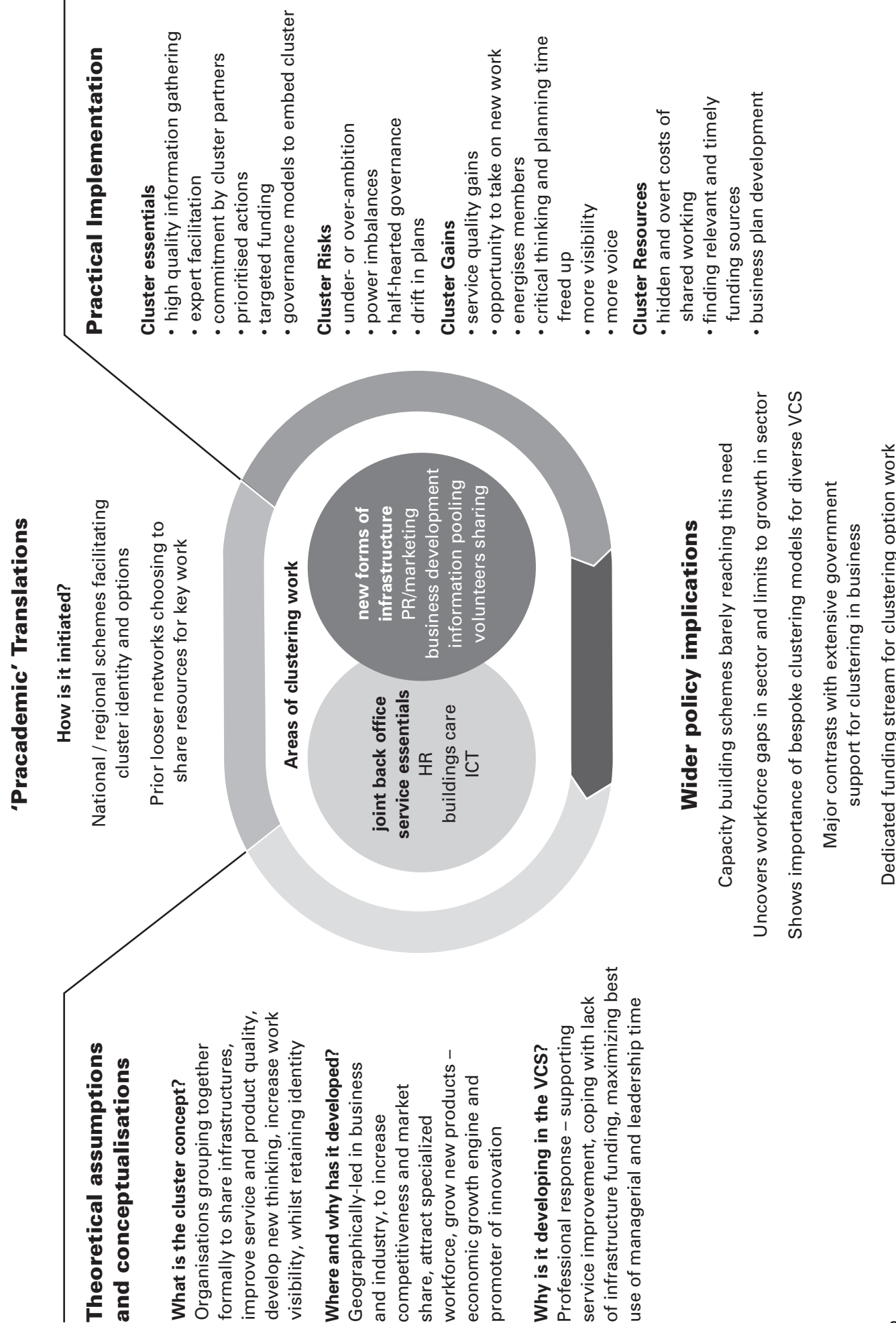


Table 2:

Business clustering and public policy – some implications for voluntary and community organisations

Learning for VCO clustering support from government business cluster policy	Comment
<p>Clustering support within VCOs is unlikely to require ‘the drive for innovation’ as its main guiding theme, even if the activity of organisational clustering can be shown to promote this.</p>	<p>VCOs have not needed the collaborative context of group work or clustering as the source of, or test bed for, innovative ideas and practices, many ‘sole trader’ VCOs exist by virtue of their innovative spark.</p> <p>Innovation might be a subsequent outcome of cluster work but it is not its main rationale.</p>
<p>Clustering support for VCOs would therefore follow a more ‘ordinary’ policy trajectory than that in place for business; cluster goals aimed primarily at sharing those kinds of core service activities which are essential for organisational survival and support the quality of frontline work.</p>	<p>This approach alone is far more likely to produce the ‘early wins’ from cluster work, which are widely advocated in business clustering as a motivation to continue close association, but far more difficult to realise where innovation and productivity rises are sought.</p>
<p>A significant shift in cluster-member interest away from ‘large firms’ (the business cluster preference) is indicated, towards medium sized and small organisations where the need for shared infrastructure is pressing.</p>	<p>It can be argued that medium sized community organisations face particular infrastructure needs, since they are too small to have internal economies of scale, yet have been ‘too large’ to attract external capacity building funds, where it is often assumed that they already have this underpinning.⁵³</p>
<p>A less exhortatory approach to cluster development than that found in DTI and RDA literatures is suggested with greater emphasis on the kinds of interventions that can support clustering and on enabling VCO clusters to work successfully across administrative boundaries.</p>	<p>VCOs may need far less convincing of ‘the lustre of clusters’ than does business; but any engagement in collaborative work is not a cost-free option.</p>
<p>A more circumspect view of developing clustering policy for VCOs than the ‘blanket’ major funding of business clustering is suggested, but this should be equated with ‘drip feed’ funding in turn.</p>	<p>A national programme to seed if not grow clusters and clustering in VCOs is suggested, taking a ‘second wave’ pilot approach, to follow from the variety of clustering initiatives (and models) becoming known.</p>

⁵³ Conversation with Alan Cripps, 24 April 2006

Conclusions

To argue that there is now already sufficient material to show the detail of the promise of VCO sector clustering to look for the creation of an external resources base to guarantee its work is not special pleading. Nor is it an indulgence to emphasise the extent to which clustering work in any given setting will need to be tailor-made for its own internal and external circumstances; and that the kinds of facilitation needed must be correspondingly bespoke. Both funding to underpin a more comprehensive facilitation scheme and to provide start-up funds for the action/realisation phase of clustering, when the 'all or nothing' stakes are high, is indicated.

4.28 The quality of learning in the facilitation skills supporting clustering is an especially key resource for the sector, and needs to be captured and disseminated. All of these have a resources cost, which the sector itself is already bearing through cluster members' work and the funding from a small number of independent funders. Unless this cost-carrying is recognised financially, clustering processes are not likely to maximise the high potential which clustering offers. This may be so in the short term, where cluster facilitation and development work (such as feasibility studies) have already been able to progress development successfully, but where funding outcomes are still in doubt. Without an increased certainty about funding accessibility, the vital work of such facilitators will be more akin to creating a catafalque than acting as a catalyst.

4.29 This review was not a conventional 'mapping exercise', in the sense of pinpointing numbers and types of clusters, or an inventory of what is in the territory. This is partly a function of time but also of poor visibility of potential and live cases, until interim resources can be secured. Moreover, no judgmental stance is being taken about clustering examples which have stalled or failed to thrive, since it can be argued that these cases have value for the sector generally, and that from initial attempts, other developments are able to follow.

A further reason for this 'non mapping' is because there appear to be relatively few examples of clustering work. That is, quite simply, because it is difficult.

4.31 This review, by expanding on the complexity and challenge of the cluster concept, process and activities, is not about making it look easy. Rather it is about strengthening the case for resources for clustering work generally and clustering facilitation in particular. This will make it no less difficult but increasingly accessible to VCO organisations; so offering new models of working for organisations where infrastructure vulnerabilities persistently put those organisations' service quality, innovative work and policy influence at risk.

Appendix 1: Collaboration Literature in Voluntary and Community Organisations

Findings Concepts and Frameworks

Cigler, B.

Preconditions for the emergence of multicommunity collaborative organisations

Policy Studies Review (1999), 16, 1

Nine preconditions for collaboration – from empirical evidence on community organisations

1. *disaster striking* in communities – floods and fires in rural orgs., closures of plants due to population decline induces collaboration.
2. *fiscal stress/actual and perceived* – as a result of disaster occurrence.
3. *political constituency for cooperation* – no broad based constituency to promote collaboration (no representation from all income, racial, ethnic groups); dominated by few individuals with vested interests (business entrepreneurs).
4. *supportive capacity building from the outside* – government assistance needed for strengthening leadership.
5. *early and continued support of elected local officials* – participation in the formation depends on funding anticipations.
6. *visible advantage for participating governments* – leaders demonstrating early advantage of thinking regionally about common problems, tying it with financial return.
7. *existence of a policy entrepreneur* – offering energy and commitment for organisational emergence and development; balance with full-time expert?
8. *early focus on visibly effective strategies* – needed for building interest and constituencies; business incubators for successful projects.
9. *emphasis on collaborative skill building* – transfer from policy entrepreneurs to other members; volunteer/leader burnout.

Osborne, S. & Murray, V.

Collaboration between nonprofit org. in the provision of social services in Canada – working together or falling apart?

The International Journal of Public Sector Management (2000), 13, 1, 9–18

Introduction of Murray's five stage model developed from org. theory – pre-contact, preliminary, negotiation, implementation, evaluation

Four factors play an important role:

1. *type of collaboration sought* – this case is one of joint advocacy and planning without the risky reduction of autonomy. It is a good starting point for more profound types of collaboration where resources and autonomy are involved.
2. *characteristics of org. entering the relationship* – culture, leadership and structure; sharing common values is important although philosophy of delivering services may differ.
3. *process of developing and implementing the collaboration* – the agencies had worked together in the past and had developed trust between them – they organised away days to work together on the presentation. The umbrella body and government came up with 'outcome funding' in measuring achievement by the programme rather than levels of inputs and outputs as a measure against duplication of services by the nonprofits. However they had little idea of what those outcomes would be. The nonprofits did not perceive a duplication of services between them and constructed a matrix encompassing their distinct activities for collaboration which they presented to the agency and government. They also perceived themselves as distinctive in terms of values and philosophy.
4. *external factors impinging on the collaboration* – pressures on privatising services and for more efficiency and less duplication led to less competition; this created 'moderate anxiety' which prompted willingness to change from everyone involved rather than in the case of 'extreme anxiety' which breeds panic and closed mentality.

Cordero-Guzman, H.

Interorganisational Networks Among Community-Based Organisations

Community Development Research Center, New School University (2001)
online:
<http://www.newschool.edu/milano/cdrc/pubs/cordero.cbo.pdf>

13 factors related to the success of formation and development of CBOs

1. selection of organisations with a track record, history of working in the community, assets and capacity.
2. developing mutual respect, understanding, and trust.
3. active and professionally led planning process with strong community involvement.
4. members must share a stake in the process and outcome - engage in activities, discuss, consensus among goals.
5. creating specific opportunities to engage – channels for building the relationship, meeting and interaction.
6. engagement and involvement of the community – helps build consistency.
7. ability to compromise – a system to achieve consensus and resolve disagreements on goals, programs, and procedures.
8. clear roles and policies – defined and explicit role/operation of each organisation .
9. open and frequent communication, established formal and informal communication links, multiple channels.
10. be very clear and selective in targeting the types of services to be provided and the communities where they are to be provided.

11. initiative has to start off with concrete and visible projects able to show clear gains early on.
12. necessary process for developing concrete long term goals and objectives for the network; periodically taking stock.
13. mechanisms needed which regulate the entry and exit to and from the network with clear procedures, rules, accountability.

Eden, C & Huxham, C.

The Negotiation of purpose in multiorganisational collaborative groups

Journal of Management Studies (2001), 38, 3, 373–391

Categorisation of Negotiation Episodes that may take place in multiorganisational negotiation of common goals/action

1. *Cohesive group episode* – collective action taken, “clubbish” behaviour, org. not interested in perusing a goal.
2. *Disinterested organisation* – one organisation is at odds with the group but should be interested, no support expected but action taken to convince of involvement, may cause reprisals.
3. *Outlying individual* – promoting collaboration for one’s own interest (personal development), issues of drawing agenda boundaries against personal interest relative to organisational relevance.
4. *Spying organisation* – organisations choose to join a group to ‘milk’ it for own ends not shared purpose, playing a spy.
5. *Vetoing individual or organisation* – negative reaction (emotional) expressed to the proposal put forth by the group, may lead to absenteeism from group or its collapse.
6. *Threatened organisation* – opposition stemming from strategic motives (rational), activities of collaboration relevant to organisation, seen as competition; attempts to divert the group from certain areas of activity.
7. *Outlying organisation* – like the spying organisation but may require action taken by others in the group, more overt, effort-consuming.
8. *Powerful organisation and pragmatic group* – may succeed to shift the joint agenda, compromise from the rest of the members on their goals, they may negotiate for retaining high-priority goals, pragmatism in play.
9. *Sceptical group or individual* – general lack of commitment by group, not engaged due to enforced collaboration from the top.
10. *Imposed upon organisation or group* – collaboration externally mandated (by government), a threat to withdraw resources may be used to initiate this, no commitment or ownership from group.

Snively, K. & Tracy, M

Development of trust in rural nonprofit collaborations

NVSQ (2002), 13, 1, 62–83

Internal and External environment factors

Internal:

Leadership – is collaboration values by the person heading the organisation, directors mould the cultural values of the org., leaders both demonstrate and build up their confidence by establishing collaborations.

Organisational resources – those with more money can dominate in the collaboration, there is power imbalance.

External:

Rural location – respondents see it as an asset, easier to know and establish relations with others, attending the same meetings, members of the same committees, collaboration is not a ‘new thing’.

Government policies and mandates – a mix of influence; stimulating collaboration (or not) by expecting organisations to “be there” and participate; mandates authorise collaboration rather than oblige, or are in conflict with collaboration projects.

Race relations and community culture – discrimination issues; reliance on informal networks for care like churches and friends rather than agencies (Diversity dimension).

Violation of trust categories:

Turf protection: organisations are unwilling to truly compromise organisation boundaries and instead consistently seek their self-interest.

Hogging the glory: a partner in the collaboration seeks to claim responsibility for success and deny other partners a share in the ‘glory’.

‘I’ instead of ‘we’ attitude: harbouring a self-centered attitude, a partner in the collaboration is unable to recognise that what the collaboration does is not solely for an individual organisation’s good but for the good of the whole and the people that the organisations serve.

‘Lone Ranger’ attitude: this occurs when a partner in the collaboration makes independent decisions and fails to consult partners in making service decisions or in going after resources.

Huxham, C.

Theorising collaboration practice

Public Management Review (2003), 5, 3, 401-423 and

The challenge of collaborative governance

Public Management (2000), 2, 3, 337-357

Five Themes/dimensions of structural complexity and diversity in second paper (both are integrated here)

1. *common aims* – common wisdom of being clear on aims vs common practice of difficulty in agreeing to common goals; communicating across professional languages and diverse organisational cultures (Diversity dimension).
2. *power* – the practice of defensiveness and aggression; identifying where power is enacted (points of power/ p. infrastructures) (Diversity dimension).
3. *trust* – focus on trust building, aiming for realistic outcomes and taking a risk in forming expectations for future outcomes based on past experiences (Diversity dimension).
4. *membership structure* – conceptualising them as:
 - *ambiguous* – unclear about who you collaborate with, seeing yourself as a resource to collaboration without naming, lack of clarity on individual or organisational participation in partnership).
 - *complex* – multiple memberships and hierarchies, emphasis on rationalisation of partnerships; dimensions of complexity: working relationships (lead by politics rather than practicality), organisational membership (degree to which organisation or just individuals are involved), governance and task structure (cross-org. working groups, influence by government and funders) pluralism (cross relating partnerships in many localities) (also includes dynamics and ambiguity as dimensions).
 - *dynamic* – continuously shifting structures as new members enter in negotiation in purpose as there is a need for new members, compromising expectations – and policy influence shifts membership structure as well; emphasis on nurturing collaborations.
5. *leadership* – concerned with formation and implementation of collaboration's policy and activity agenda; mechanisms that 'make things happen'.

Drivers for collaboration – all drivers will bear a high cost given the framework described above
Efficiency drivers, 'one-stop shop' delivery to customers.

Shared learning drivers, transfer of good practice.

Financial imperative, sharing costs.

Ideological connotations of participation and empowerment, resolving competition.

Implications

Single-mindedness – leadership characteristic.

Perseverance – leadership characteristic.

Dominance – of a governance arena by one or a number organisations over others creates a framework for collaboration.

Thuggery – convenorship behaviour allowing only those org. which are committed to take part.

Acar, M. & Guo, C

The 'R's of Regional Collaboration

18th European Advanced Studies, Institute in Regional Science, Lodz, Cracow 2005
http://wz.uni.lodz.pl/ersa/abstr/acar_p.pdf

Ten Rs of collaborative performance – theoretical, major issues from literature

rationalities – reasons for formation of different types of collaboration (disaster makes common interests visible, legal/administrative mandates, access to information, enhanced effectiveness; i.e. 'necessity; asymmetry; reciprocity; efficiency; stability; legitimacy').

roadmaps – need for planning in the beginning of the partnership, envisioning main phases of collaborative activities and achievements, broad mission and aims, deadlines and timetables, in cohesion with each other.

rules – kind of formal rules needed for collaboration, how they are developed and observed, balancing flexibility and innovation with stability and accountability.

relationships

rewards – who benefits, how is that communicated, short term/long term benefits, ways of increasing reward.

resources – identifying/tapping into the knowledge and skills of partners, distribution, sustainability over time.

roles – role making and taking dynamics, player role match and change over time, conflicts and resolutions.

responsibilities – who has them, how are they expressed, encouragement to act upon them, free-riding.

risks – balancing risk with benefits of collaboration, process and policies for alleviating risks.

reviews – evaluation mechanisms, frequency, presentation for policy relevance.

Appendix 2: Clusters in the Business Literature

Cluster Development Projects in the Business Sector

Enhancing the competitiveness of SMEs in the Global Economy: Strategies and Policies

OECD

*Local Partnerships, Clusters and
SME Globalisation*

Conference for Ministers
responsible for SMEs and
Industry Ministers

Bologna, Italy, 14–15 June 2000

Findings Concepts and Frameworks

Clustering benefits:

- developing capabilities to innovate.
- attracting sophisticated stakeholders/partners.
- clusters become repositories for industry-specific skills and capabilities.
- creating spin-offs.

Assumptions:

- organic nature of clusters, evolving over time, under pressure (reactive).
- clusters must seek higher-order advantages of the clustering – in time the advantages of proximity can be overcome by cost considerations.
- globalisation of clusters – a change in number, type, power of participants in the cluster.

Elements of cluster strategies: Cluster development programmes to foster business networking and collaboration, backed by government support in more formal programmes in some countries (UK included); providing business service, technopoles, community building, and improving policies. Strategies differ in:

1. the level of government involvement.
2. the origin of the industrial base – organic (existing economic base), transplant (attracting external companies), hybrid.
3. selection method of clusters by authorities.
4. type of cluster and policy mix.

Best practice cluster development – based on wide-scope research to date, policies have no impact on competitive success of clusters; they have developed without promotion; policies are less important than other features of clusters.

Guidelines:

- clear view of the goals of the initiative is essential.
- policy makers should refrain from seeking to build entirely new sector-specific clusters of firms (target national champions or sunrise sectors).
- private sector should lead with public sector playing a catalytic role, committing to clustering, not clusters.
- sensible criteria should be employed for identifying and prioritising clusters within the economy – opportunity for the sponsor to add values, employment creation potential, nuclei of actors in cluster, etc.
- one size does not fit all.
- use analysis to build urgency in the minds of participants – where they stand in relation to competitors, how to improve their position.
- initially adopt a low risk/early return focus – participants need to see value in the process
- match initiatives to the most suitable level of government.
- initiatives should facilitate the establishment of local partnerships involving private actors, NGOs and different public levels/sectors .
- target real market failures – helps avoid capture by political interests or stray into market-led areas.
- build a cluster organisation; focus on building the institutional and support system relevant to activities.
- facilitate specialisation among collaborating firms – source of competitive advantage.
- etc.

Steps:

- | | |
|-------------------------|------------------------|
| • Determination | • Establishment |
| • Initiation | • Emergence |
| • Identification | • Investment |
| • Prioritisation | • Co-ordination |
| • Elaboration | • Evaluation |
| • Obtaining information | • Institutionalisation |
| • Education | • Repetition |

Bridging Community and Economic Development: a strategy for using industry clusters to link neighbourhoods to the regional economy

June 2002

Paul Christensen, Nan McIntyre, Lynn Pikholtz

Shorebank Enterprise Group (SEG) study funded by the Ford Foundation

Cluster value to the SEG:

- enhanced competitiveness of small firms.
- a focusing mechanism allowing organisations to provide real value to customers, build critical mass of entrepreneurial energy and knowledge.

Clusters create development impacts and increase wealth and employment opportunities among poorer communities.

Porter's four prongs: factor conditions, demand conditions, related industries, firm strategy, structure and rivalry.

Methodology: case selection based on success demonstration, geographical concentration and at least one intermediary organisation playing a prominent role (since SEG is an intermediary org., it is a learning aspect for them).

Key success factors:

- build trust among firms
- start with areas of common interest
- use the power of data
- involve key leaders in the industry
- focus – don't try to do everything
- deliver value – start with easy wins
- possess in-depth knowledge of cluster
- utilise spin-off benefits of big firms
- create partnership
- act like a business

Differentiation according to need and resources (roles) – membership vs non-membership organisations and direct service provider vs. coordinator of services.

The role of intermediaries:

- facilitating deep relationships with higher education institutions.
- provision of market information, promoting and raising the profile of local and regional clusters.
- facilitating knowledge networks.
- building a specialised supporting infrastructure over time.
- make cluster participants more aware of the benefits of working across and within industries.

Discover the Lustre in Sustainable Clusters

4 December 2003

The Orange Studio, Birmingham
Regional Futures post event report

Forum for the Future

Sustainable clusters and sustainable development (SD) for business – such a cluster does not exist yet, developing importance of local and regional decision-making for achievement of objectives for priority clusters.

Workshop questions:

- What issues can participants (businesses) work on together?
- What are the barriers to working together – apathy and lack of time; naturally competitive, giving away advantage; resistance to change; dispersed networks less tangible; simplicity of language used; lack of guidance; mindful of existing dialogue; no networking skills, slow process.
- How to encourage the development of sustainable clusters – policy coherence at a regional level, building SD in incubators; identify issues for region, spatial mapping, core of cluster and trickle down effect, common ground to learn together; quick wins builds credibility; networking, team building; education and training, awareness raising, marketing; share learning facilitated by RDAs, sell long-term advantage; government support; encourage innovation; identify champions and leaders; scrutiny and funding; monitoring and evaluation, measuring performance by outcomes; quality business support.
- Reflections and next steps – 10 steps guide, regional road show, pilot regional partnership.

Cluster Strategy: A practical guide to cluster development

DTI and English RDAs, by Ecotec Research & Consulting publication, April 2004
online:

<http://www.dti.gov.uk/clusters/ecotec-report/download.html>

Aspects of Strategy: mobilisation, diagnosis, collaborative strategy, implementation.

Dimensions of clusters/success factors:

1. networks and partnerships – extent.
2. innovation and R&D – capacity.
3. skills/HR.
4. economy and enterprise – employment, number of firms, outputs.

Network factors (case): *network brokers* – facilitators for networks bring firms together (training programme); *multipliers* – well-placed individuals familiar with the local firms, passing information of opportunities for collaboration to network brokers; *incentives* – support to cover some cost of network participation.

Effective networks: Capable of spreading good practice; extend beyond the cluster; are international (inward focus develops cluster identity but not the competitiveness of participating organisations).

Skills and R&D – just as important, not to be disregarded by focusing exclusively on networks.

Learning is a sufficient benefit for companies to network.

Contributory factors for success:

1. the presence of large firms – mass of experienced managers and workers, customer and supplier base, multiplier effect, innovators.
2. adequate infrastructure.
3. entrepreneurial spirit.
4. access to finance.

Complementary measures – supportive context:

1. leaders are important – committed, high degree of influence, able to cultivate interaction between cluster stakeholders.
2. competition is a driving force – can inspire, motivate, stimulate.
3. proximity to markets help cluster development.
4. quality of life and supportive policy.

**RDAs and social regeneration:
what does the future hold**

15 October 2005

Urban Forum, seminar report
http://www.urbanforum.org.uk/pdf_files/rda_sem_rep_nov2001.pdf

Presentation: the clusters idea – interaction (collaboration, dynamism), proximity (regular interaction), synergy (1+1=3).

Managing a clusters approach:

- vision of what the sector is to achieve
- mapping the sector
- barriers to achieving goals/ collaboration
- how and who to address – strategy
- implementation, outcomes, evaluation.

Clusters and the third sector:

- knowledge intensive sector – issues base
- role of people
- building civic society – social infrastructure
- range of size
- untapped knowledge resources.

Conclusion:

- sharpening roles and responsibilities of regional partners
- what would a VSO cluster look like? (East Midlands mentioned).

Questions and answers:

- there may be danger in applying clusters to the sector which is dispersed in order to stay in touch with local communities.
- clusters are not about stamping out diversity but about building connections within the sector – the importance of building bridges outwards, making linkages.
- social inclusion is missing from the targets; many people are sceptical about how empowerment is not delivered.
- there is a need to be careful about how targets are structured.

**Academic journal
Publications**

**Clustering as a new growth
strategy for regional economies**

Arnoud Legendijk and
David Charles
CURDS, Newcastle upon Tyne,
UK 1999
In Cluster-analysis and cluster-based policy. New perspectives and rationale in innovation policy-making., Paris: OECD

Findings, concepts and frameworks

The role of RDAs in cluster approaches:

- conception and cluster mapping – follow-up policies after attracting investment, can be top-down or bottom-up initiatives.
- objectives – a) the support of business development through the development of a favourable environment, customising business support and brokering of networks; b) improvement of regional economic structure by targeting; addressing systematic and market failures observed in the region, government failures.

Methodology – two levels of organisation:

1. conceiving, facilitating and monitoring – central question is how these are embedded in the policy networks to secure interaction.
2. particular cluster initiatives – core issues are how networking processes are brokered, learning is facilitated and support/infrastructure is involved.

Evaluation and monitoring – finding the learning loop feeding back into the cluster strategy.

Funding – benefits will only show in the long term.

England clusters:

Embedding of local bottom-up initiatives is lacking; they present isolated projects driven by particular agents and supported under particular sources of funding at a local scale.

Clustering may build a crucial bridge between two levels of regional economic development: the business level (inter-firm trading and learning is promoted, improving links between business and the regional technology and support infrastructure) and the structural level (cluster policies through targeting may support the reorientation of regional economic development towards growth sectors).

Benefits:

- breaking isolation and facilitating co-ordination between related industries.
- developing new sources of growth and employment.
- correcting the mismatch between supply and demand.
- offering a platform for discourse on business development.

Difficulty in implementation related to justifiability of initiatives, measuring outputs and finding the right approach to funding; 'picking winners' and the question of representation and dominance; funding short term for long term results; governing and evaluating.

The Clustering of Financial Services in London

G.A.S. Cook, N.R. Pandit,
J.V. Beaverstock P.J. Taylor and
K. Pain
Globalisation and World Cities
GaWC Research Bulletin 124,
October 2003

One-year study on the clustering of financial services activity firms in London, 1500 sample, 39 interviews across 7 sectors; questionnaire rating in importance the types of advantages and disadvantages of a London location for firms in banking, insurance, legal, accounting, management consultancy etc.

The cluster confers advantages from the demand and supply side, the more important of which are enhanced reputation, the ability to tap into large, specialised labour pool and customer proximity. The localised nature of relationships between skilled labour, customers and suppliers is a critical factor which helps firms achieve innovative solutions, develop new markets and attain more efficient ways to deliver services and products. The cluster grows when benefits are greater than costs.

Key points:

- great labour market advantage – labour pool of international knowledge and skill repository, needs to be kept flexible.
- importance of personal relationships which are enhanced by the on-going face-to-face contact, knowledge transfer and inter-firm linkages – proximity creates density of interaction and information.
- help with innovation – institutional thickness and the role of local government for coordination and regulation.
- interdependence – the importance of being close to major competitors.

Important disadvantages include the poor quality and reliability of transport, like the London Underground and links to airports; increasing levels of regulation and government policy that is not co-ordinated with the whole of the cluster in mind.

Looks at the motivations behind declustering as relocating firms exit the area.

Regional development agencies and cluster strategies: engaging the knowledge-base in the North of England

Frank Peck and
David McGuinness
Local Economy 2003, vol. 18, 1,
49–62

The term cluster conflating ideas arising from different perspectives, complementary and contradictory; critique of concept as a chaotic arbitrary abstraction.

Cluster strategies and regional knowledge-base (RDAs and government White Paper) – prominence to new emerging technologies, addressing problems in growth areas, the involvement of HEIs and the establishment of innovation centres – there is considerable scope to fashion the meaning of clusters in different regional contexts by policy makers.

Looks at three regions in the north of England – interviews with policy makers (North West, North East and Yorkshire and Humber).

Defining clusters – sets of linked firms that cut across different traditional sectors; the pressure to achieve consensus between partners tends to expand the list of potential clusters (distilled from regional economic strategies); balance the aspirations of different sub-regional partnerships in the public sector.

North East – the development of cluster strategy is built upon sector-based groups that were already established; cluster strategies should be 'business-led'; existing business networks provide advantages; pragmatism in modifying existing networks to meet the clusters agenda; clustering therefore brings relatively few new ideas.

Priority clusters – where well-established networks are absent and RDA s are creating representative cluster groups to provide a forum and network to drive process.

There is no incentive to collaborate between rather than within regions, which has affected the clusters agenda.

The Development of the Cluster Concept – present experiences and further developments

Ketels, C. H.M.

2003, Institute for Strategy and Competitiveness, Harvard Business School
www.isc.hbs.edu/pdf/Frontiers_of_Cluster_Research_2003.11.23.pdf

Conceptual framework:

- *types of clusters* – clusters can be classified by the type of product and/or services they provide; the type of location dynamics their constituent industries are subject to; by the stage of development they have reached.
- *clusters develop over time.*
- *they create economic benefits* – companies can operate with a higher level of efficiency, drawing on more specialised assets and suppliers with shorter reaction times; can achieve higher levels of innovation (knowledge spillovers, close interaction with others); level of business formation is higher (reduced cost of failure through fall-back options on others in the cluster).
- importance of institutions for collaboration create platforms for interaction.

Empirical findings from various research sources:

- *both clustering and declustering* are occurring across studies worldwide; even today's technology cannot capture and represent the complexity of clustering interactions.
- *impact on performance* (from M. Porter's Cluster Mapping Project in the US) – link between strong clusters and higher wages, being strong in some fields shows to be more important in having a presence in all fields in terms of wage growth and poverty reduction; positive relationship between traded clusters' competitiveness across regions and the local economy efficiency (the latter indicated by higher wages); performance shows to be dependent on the behaviour of participating firms in the cluster rather on their concentration; cluster effects linked to level of collaboration between participants; there is a debate regarding the measurement of performance.

Cluster initiatives:

- *cluster activation rather than cluster creation* – avoiding costly government-centric approach; opting for using capacity of participants for joint action.
- *phases in development of initiatives* – pre-launch (discussing issues of competitiveness, ground providing), start (analysis of cluster, communicating a sense of belonging, action plan and network building), implementation of action plan (outreach), transition from project to more stable form of organisation (reviews, creating new agendas).
- *factors of success and failure* – focusing on an already strong cluster in a good business environment (activation approach), based on shared conceptual framework of competitiveness (the need to manage different interests within the cluster, prioritising desired outcomes), need of an operational budget for a facilitator for cluster sustainability.

Outlook:

- use of data for analysis and hypothesis testing.
- shared conceptual foundations on implementation, separating the discussion on clusters from discussion on cluster policy.
- moving beyond the focus on clusters to a broader policy of enhancing competitiveness.

The cluster as market organisation

Peter Maskell and

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Urban Studies, 2004, Vol. 41, 5/6, 991–1009

Investigating the spatial configurations geared towards the creation, transfer and usage of knowledge. No general understanding has yet emerged on why entities become co-localised.

Two benefits of external relations – a) becoming knowledgeable about possibilities and transform the knowledge in to innovation and b) compensating for demand and supply, securing efficient usage of resources.

Two strategies – network formation (when customers, suppliers and products are reasonably stable) and clustering (when they are not).

- *Network building* – 'dyadic' relations are intensified and suspicions eliminated as parties contribute in strengthening and creating more links, extending into several layers; 'code-books' emerge (shared language of communicating information) and increase the cognitive abilities of firms to coordinate; there is a functional substitute for trust as the cost of malfeasance is too great; characterised by: Institutional arrangement, firms as shareholders, strong ties, club institutions, trust/sunk costs, codebooks.

- *Clustering* – firms opting for co-localisation participate in building communities that share institutions, like networks, but they are confined in scope (applicable to firms in one or a few related industries only) and restricted in space (local or regional level only); project relations - common form of interaction for industry ambiguity (differs from uncertainty in that it cannot be more information) (e.g. finding a solution to a specific, time-confined customer demand); in uncertainty the form of interaction is flexible relations (partners are found and dropped according to situation, e.g. passing on excess demand and supplying to others in case of shortage horizontally, and using a one-off specialist supplier vertically); relying on collective institutions based on social traits rather than idiosyncratic investments; characterised by: institutional environment, firms as stakeholders, weak ties, social institutions, social trust/reputation, social codebooks.

Weak ties as project relations facilitate knowledge creation; as flexible relations they yield resource efficiency.

Entrepreneurship in the West Midlands: a review and assessment of the knowledge base

February 2005

Jonathan Scott and

Stephen Roper

Aston Business School,

Aston University, Birmingham

<http://www.abs.aston.ac.uk/new>

[web/research/publications/docs/](http://www.abs.aston.ac.uk/new)

RP0501.pdf

Organisational networking in UK Biotechnology clusters

Chris Hendry and James Brown

British Journal of Management,

2006, Vol. 17, 55–76

Owner-managers, clusters and local embeddedness: small firms in the Sheffield (UK) metal-working cluster

Watts, H.D., Wood, A.M.,

Wardle, P.

Entrepreneurship and Regional

Development, 2006, Vol.18, 3,

185–205

Cluster interpretations:

- Porter – dynamic interdependency between firms within the cluster and between the cluster and its wider environment.
- DTI – more simplistic notion – adopting a top-down approach based on location quotients for employment and standard industrial classifications, confinement of clusters within an administrative geography (but clusters exist across geographies).
- West Midlands debate – administratively defined cluster which forms a focus for industrial policy.

Studies of clusters:

- looking at the dynamics of specific clusters.
- comparative approach examining the role of firms in cluster formation and development in a range of industries.

Some findings:

- no significant links found between firm size and the role they play in clusters, not significant differences in the perceived benefits of clusters.
- ‘leading players’ were not likely to spend time developing clusters but were active in overcoming internal opposition and building trust with others.

Two studies, questionnaires and interviews on:

- firm age location ownership; employment numbers, sales turnover; stage of development; skill requirements and gaps; source of training; buying in of services; collaborations with others; use of agencies (regional/national); source of finance and development; inhibiting factors for development; advantages of location.

Resulting in four types of collaboration for inter-firm and six types for universities and research.

Comparison between Oxford and Kent clusters recognise the difference in type (manufacture-focused, research-intensive, biotech., pharmaceuticals), number, age and size of collaborating organisations.

Collaboration with other firms considered on the level of density (number of collaborating firms) and intensity (av. number of collaborations).

Benefits deriving from shared locality – knowledge spill-over (study shows less from companies and more from research, movement of people and ideas not just formal collaboration), provision of intermediate goods/services, labour market pooling (networks for skills development and training were national).

Factors influencing nature of networking relations, as explanations for collaboration:

- life cycle and stage of development of firm.
- interdependency of sub-sectors and supply chain dependencies fostering collaboration.
- economics of research funding.
- strategies and preferences of firms in structuring relationships (business models).
- competitor strategies and evolving structure of markets.
- cluster critical mass.

Conclusion: clusters cannot be explained in terms of their contribution towards a beneficial process.

Explores the ways in which the characteristics of owner-managers influence the extent to which their firms are embedded within local clusters of economic activity.

Attributes are found to have no influence on the extent of the use of local material supply networks but they do influence the extent of dependence on local markets. Those born and bred in the local region with limited formal education are more likely to rely on local markets.

Characteristics are also linked to participation in business networks – those with most experience and previously working for large firms are more likely to participate.

Conclusions favour the owner-manager attributes being built into theories of clustering behaviour.

Making sense of clusters: regional competitiveness and economic development

Joseph Cortright

Impresa, Inc.

March 2006

A discussion paper prepared for the The Brookings Institution Metropolitan Policy Program

Clusters: lessons for economic development policy makers and practitioners:

1. Cluster analysis can help diagnose a region's economic strengths and challenges and identify realistic ways to shape the region's economic future.
2. Different regions have different sets of economic development opportunities. Not every place can or should become another Silicon Valley.
3. The foundation of a regional economy is a group of clusters, not a collection of unrelated firms.
4. Successful development strategies are usually those that extend, refine, or recombine a region's existing strengths, not those that indiscriminately chase companies or industries.
5. Identifying a cluster's competitive strengths and needs requires an ongoing dialogue with the firms and other economic actors in the cluster.
6. It is more important and fruitful to work with groups of firms on common problems (such as training or industrial modernisation) than to work with individual firms.
7. Economic development subsidies and recruitment efforts aimed at individual firms, if used at all, should be focused on firms that fit within existing clusters.
8. It is difficult for public policy to create new clusters deliberately. Instead, policy makers and practitioners should promote and maintain the economic conditions that enable new clusters to emerge. Such an environment, for example, might support knowledge creation, entrepreneurship, new firm formation, and the availability of capital.
9. Cluster policy and practice are not:
 - just a public-sector activity
 - a program
 - a means of 'picking winners'
 - a one-size-fits-all approach to economic development.

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